

ANNUAL STATEMENT

For the Year Ending December 31, 2003

OF THE CONDITION AND AFFAIRS OF THE

Preferred Health Partnership of Tennessee, Inc.

| | | | | | | |
|---------------------------------------|---|---|--|------------|----------------------|------------|
| NAIC Group Code | 1253 | 1253 | NAIC Company Code | 95749 | Employer's ID Number | 62-1546662 |
| | (Current Period) | (Prior Period) | | | | |
| Organized under the Laws of | Tennessee | | State of Domicile or Port of Entry | Tennessee | | |
| Country of Domicile | United States of America | | | | | |
| Licensed as business type: | Life, Accident & Health[] Dental Service Corporation[] Other[] | Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[X] No[] | Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X] | | | |
| Date Incorporated or Organized | 01/01/1994 | | Date Commenced Business | 01/01/1994 | | |
| Statutory Home Office | 1420 Centerpoint Blvd. | | Knoxville , TN 37932 | | | |
| | (Street and Number) | | (City, or Town, State and Zip Code) | | | |
| Main Administrative Office | 1420 Centerpoint Blvd. | | | | | |
| | (Street and Number) | | | | | |
| | Knoxville, TN 37932 | | (865)670-7282 | | | |
| | (City or Town, State and Zip Code) | | (Area Code) (Telephone Number) | | | |
| Mail Address | 1420 Centerpoint Blvd. | | Knoxville, TN 37932 | | | |
| | (Street and Number or P.O. Box) | | (City, or Town, State and Zip Code) | | | |
| Primary Location of Books and Records | 1420 Centerpoint Blvd. | | | | | |
| | (Street and Number) | | | | | |
| | Knoxville, TN 37932 | | (865)670-7282 | | | |
| | (City, or Town, State and Zip Code) | | (Area Code) (Telephone Number) | | | |
| Internet Website Address | | | | | | |
| Statutory Statement Contact | Melissa R Anderson | | (865)670-7282 | | | |
| | (Name) | | (Area Code)(Telephone Number)(Extension) | | | |
| | manders1@covhlth.com | | (865)470-7461 | | | |
| | (E-Mail Address) | | (Fax Number) | | | |
| Policyowner Relations Contact | 1420 Centerpoint Blvd. | | | | | |
| | (Street and Number) | | | | | |
| | Knoxville, TN 37932 | | (865)470-7470 | | | |
| | (City, or Town, State and Zip Code) | | (Area Code) (Telephone Number)(Extension) | | | |

OFFICERS

| | |
|-------------------------|--------------------|
| President | Lance K. Hunsinger |
| Chief Financial Officer | Lance K. Hunsinger |
| Secretary | Jeffery S. Collake |

VICE PRESIDENTS

DIRECTORS OR TRUSTEES

Kenneth Truman Creed
Michael McKay Dudley
Randolph Murphree Lowry MD
Cletus Joseph McMahon Jr. MD
David A. Nowiski
Anthony L. Spezia

Thomas Rowe Bell
Daniel J. David MD
Marvin H. Eichorn
Kenneth Frederick Luckman MD
Michael Earl Mitchell MD
Francis H. Olmstead Jr.

State of Tennessee
County of Knox ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

| | | |
|--------------------|--------------------------------|--------------------|
| (Signature) | (Signature) | (Signature) |
| Lance K. Hunsinger | Lance K. Hunsinger | Jeffery S. Collake |
| (Printed Name) | (Printed Name) | (Printed Name) |
| President | Chief Financial Officer | Secretary |
| | a. Is this an original filing? | Yes[X] No[] |
| | b. If no, | |
| | 1. State the amendment number | |
| | 2. Date filed | |
| | 3. Number of pages attached | |

Subscribed and sworn to before me this
day of , 2004

(Notary Public Signature)

ASSETS

| | | Current Year | | | Prior Year |
|----------------------|---|--------------|--------------------|--------------------------------|---------------------|
| | | 1 | 2 | 3 | 4 |
| | | Assets | Nonadmitted Assets | Net Admitted Assets (Cols.1-2) | Net Admitted Assets |
| 1. | Bonds (Schedule D) | 47,651,741 | | 47,651,741 | 70,496,839 |
| 2. | Stocks (Schedule D) | | | | |
| 2.1 | Preferred stocks | | | | |
| 2.2 | Common Stocks | | | | |
| 3. | Mortgage loans on real estate (Schedule B): | | | | |
| 3.1 | First liens | | | | |
| 3.2 | Other than first liens | | | | |
| 4. | Real estate (Schedule A): | | | | |
| 4.1 | Properties occupied by the company (less \$..... encumbrances) | | | | |
| 4.2 | Properties held for the production of income (less \$..... encumbrances) | | | | |
| 4.3 | Properties held for sale (less \$..... encumbrances) | | | | |
| 5. | Cash (\$.....5,759,406 Schedule E Part 1), cash equivalents (\$..... Schedule E Part 2) and short-term investments (\$..... Schedule DA) | 5,759,406 | | 5,759,406 | 3,776,349 |
| 6. | Contract loans (including \$..... premium notes) | | | | |
| 7. | Other invested assets (Schedule BA) | | | | |
| 8. | Receivable for securities | | | | |
| 9. | Aggregate write-ins for invested assets | | | | |
| 10. | Subtotals, cash and invested assets (Lines 1 to 9) | 53,411,147 | | 53,411,147 | 74,273,188 |
| 11. | Investment income due and accrued | 888,798 | | 888,798 | 1,157,946 |
| 12. | Premiums and considerations | | | | |
| 12.1 | Uncollected premiums and agents' balances in the course of collection | | | | |
| 12.2 | Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$..... earned but unbilled premiums) | | | | |
| 12.3 | Accrued retrospective premiums | | | | |
| 13. | Reinsurance: | | | | |
| 13.1 | Amounts recoverable from reinsurers | | | | |
| 13.2 | Funds held by or deposited with reinsured companies | | | | |
| 13.3 | Other amounts receivable under reinsurance contracts | | | | |
| 14. | Amounts receivable relating to uninsured plans | | | | |
| 15.1 | Current federal and foreign income tax recoverable and interest thereon ... | | | | |
| 15.2 | Net deferred tax asset | | | | |
| 16. | Guaranty funds receivable or on deposit | | | | |
| 17. | Electronic data processing equipment and software | | | | |
| 18. | Furniture and equipment, including health care delivery assets (\$.....) | | | | |
| 19. | Net adjustment in assets and liabilities due to foreign exchange rates | | | | |
| 20. | Receivables from parent, subsidiaries and affiliates | 6,102,505 | 239,415 | 5,863,090 | |
| 21. | Health care (\$.....) and other amounts receivable | | | | |
| 22. | Other assets nonadmitted | | | | |
| 23. | Aggregate write-ins for other than invested assets | | | | 2,370,412 |
| 24. | Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23) | 60,402,450 | 239,415 | 60,163,035 | 77,801,546 |
| 25. | From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | | | |
| 26. | Total (Lines 24 and 25) | 60,402,450 | 239,415 | 60,163,035 | 77,801,546 |
| DETAILS OF WRITE-INS | | | | | |
| 0901 | ..... |  |  |  |  |
| 0902 | ..... |  |  |  |  |
| 0903 | ..... |  |  |  |  |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page | | | | |
| 0999. | TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above) | | | | |
| 2301. | A/R Risk Share | | | | 2,370,412 |
| 2302. | 0 | | | | |
| 2303 | ..... |  |  |  |  |
| 2398. | Summary of remaining write-ins for Line 23 from overflow page | | | | |
| 2399. | TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above) | | | | 2,370,412 |

LIABILITIES, CAPITAL AND SURPLUS

| | | Current Year | | | Prior Year |
|----------------------|---|--------------|----------------|--------------|--------------|
| | | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| 1. | Claims unpaid (less \$..... reinsurance ceded) | 1,421,510 | | 1,421,510 | 3,116,777 |
| 2. | Accrued medical incentive pool and bonus amounts | | | | |
| 3. | Unpaid claims adjustment expenses | 11,290 | | 11,290 | |
| 4. | Aggregate health policy reserves | 10,826,641 | | 10,826,641 | 10,826,641 |
| 5. | Aggregate life policy reserves | | | | |
| 6. | Property/casualty unearned premium reserves | | | | |
| 7. | Aggregate health claim reserves | | | | |
| 8. | Premiums received in advance | | | | |
| 9. | General expenses due or accrued | 11,498,675 | | 11,498,675 | 13,746,682 |
| 10.1 | Current federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses)) | | | | |
| 10.2 | Net deferred tax liability | | | | |
| 11. | Ceded reinsurance premiums payable | | | | |
| 12. | Amounts withheld or retained for the account of others | | | | |
| 13. | Remittance and items not allocated | | | | |
| 14. | Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current) | | | | |
| 15. | Amounts due to parent, subsidiaries and affiliates | 42,352 | | 42,352 | 20,617,000 |
| 16. | Payable for securities | | | | |
| 17. | Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers) | | | | |
| 18. | Reinsurance in unauthorized companies | | | | |
| 19. | Net adjustments in assets and liabilities due to foreign exchange rates | | | | |
| 20. | Liability for amounts held under uninsured accident and health plans | | | | |
| 21. | Aggregate write-ins for other liabilities (including \$..... current) | 14,082,990 | | 14,082,990 | 14,082,990 |
| 22. | TOTAL Liabilities (Lines 1 to 21) | 37,883,458 | | 37,883,458 | 62,390,090 |
| 23. | Common capital stock | X X X | X X X | 1,000 | 1,000 |
| 24. | Preferred capital stock | X X X | X X X | | |
| 25. | Gross paid in and contributed surplus | X X X | X X X | 61,379,848 | 61,379,848 |
| 26. | Surplus notes | X X X | X X X | | |
| 27. | Aggregate write-ins for other than special surplus funds | X X X | X X X | | |
| 28. | Unassigned funds (surplus) | X X X | X X X | (39,101,271) | (43,451,208) |
| 29. | Less treasury stock, at cost: | X X X | X X X | | |
| 29.1 | shares common (value included in Line 23 \$.....) | X X X | X X X | | |
| 29.2 | shares preferred (value included in Line 24 \$.....) | X X X | X X X | | |
| 30. | TOTAL capital and surplus (Lines 23 to 28 minus Line 29) | X X X | X X X | 22,279,577 | 17,929,640 |
| 31. | TOTAL Liabilities, capital and surplus (Lines 22 and 30) | X X X | X X X | 60,163,035 | 80,319,730 |
| DETAILS OF WRITE-INS | | | | | |
| 2101. | Accrued Run-Out Costs | 14,082,990 | | 14,082,990 | 14,082,990 |
| 2102. | Grier Decree Accrual | | | | |
| 2103. | Reserve for Transplants | | | | |
| 2198. | Summary of remaining write-ins for Line 21 from overflow page | | | | |
| 2199. | TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above) | 14,082,990 | | 14,082,990 | 14,082,990 |
| 2701 | ..... | X X X | X X X | | |
| 2702 | ..... | X X X | X X X | | |
| 2703 | ..... | X X X | X X X | | |
| 2798. | Summary of remaining write-ins for Line 27 from overflow page | X X X | X X X | | |
| 2799. | TOTALS (Lines 2701 through 2703 plus 2798) (Line 27 above) | X X X | X X X | | |

STATEMENT OF REVENUE AND EXPENSES

| | | Current Year | | Prior Year |
|-----------------------|---|----------------|-------------|-------------|
| | | 1 Uncovered | 2 Total | 3 Total |
| 1. | Member Months | X X X | 1,576,120 | 1,411,276 |
| 2. | Net premium income (including \$..... non-health premium income) | X X X | 195,632 | 109,964,306 |
| 3. | Change in unearned premium reserves and reserve for rate credits | X X X | | |
| 4. | Fee-for-service (net of \$..... medical expenses) | X X X | | |
| 5. | Risk revenue | X X X | | |
| 6. | Aggregate write-ins for other health care related revenues | X X X | 1,249,239 | 13,508 |
| 7. | Aggregate write-ins for other non-health revenues | X X X | | |
| 8. | TOTAL revenues (Lines 2 to 7) | X X X | 1,444,871 | 109,977,814 |
| Hospital and Medical: | | | | |
| 9. | Hospital/medical benefits | | | 51,534,383 |
| 10. | Other professional services | | (48,912) | 13,314,724 |
| 11. | Outside referrals | | | |
| 12. | Emergency room and out-of-area | | | 4,721,849 |
| 13. | Prescription drugs | | (1,287,199) | 19,195,524 |
| 14. | Aggregate write-ins for other hospital and medical | | 1,885,287 | (4,143,708) |
| 15. | Incentive pool, withhold adjustments and bonus amounts | | | |
| 16. | Subtotal (Lines 9 to 15) | | 549,176 | 84,622,772 |
| Less: | | | | |
| 17. | Net reinsurance recoveries | | | |
| 18. | TOTAL hospital and medical (Lines 16 minus 17) | | 549,176 | 84,622,772 |
| 19. | Non-health claims | | | |
| 20. | Claims adjustment expenses | | | 5,273,180 |
| 21. | General administrative expenses | | | 25,094,419 |
| 22. | Increase in reserves for life and accident and health contracts (including \$..... increase in reserves for life only) | | | |
| 23. | TOTAL underwriting deductions (Lines 18 through 22) | | 549,176 | 114,990,371 |
| 24. | Net underwriting gain or (loss) (Lines 8 minus 23) | X X X | 895,695 | (5,012,557) |
| 25. | Net investment income earned | | 3,003,257 | 3,749,260 |
| 26. | Net realized capital gains or (losses) | | 611,584 | 910,387 |
| 27. | Net investment gains or (losses) (Lines 25 plus 26) | | 3,614,841 | 4,659,647 |
| 28. | Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)] | | | |
| 29. | Aggregate write-ins for other income or expenses | | | |
| 30. | Net income or (loss) before federal income taxes (Lines 24 plus 27 plus 28 plus 29) | X X X | 4,510,536 | (352,910) |
| 31. | Federal and foreign income taxes incurred | X X X | | |
| 32. | Net income (loss) (Lines 30 minus 31) | X X X | 4,510,536 | (352,910) |
| DETAILS OF WRITE-INS | | | | |
| 0601. | Other Revenue | X X X | 135 | 13,508 |
| 0602. | State Admin Revenue | X X X | 1,249,104 | |
| 0603 | ..... | X X X | | |
| 0698. | Summary of remaining write-ins for Line 6 from overflow page | X X X | | |
| 0699. | TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) | X X X | 1,249,239 | 13,508 |
| 0701 | ..... | X X X | | |
| 0702 | ..... | X X X | | |
| 0703 | ..... | X X X | | |
| 0798. | Summary of remaining write-ins for Line 7 from overflow page | X X X | | |
| 0799. | TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above) | X X X | | |
| 1401. | Recoveries | | (704,659) | (754,116) |
| 1402. | Risk Share | | 2,589,946 | (3,389,592) |
| 1403 | ..... |  |  |  |
| 1498. | Summary of remaining write-ins for Line 14 from overflow page | | | |
| 1499. | TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above) | | 1,885,287 | (4,143,708) |
| 2901 | ..... |  |  |  |
| 2902 | ..... |  |  |  |
| 2903 | ..... |  |  |  |
| 2998. | Summary of remaining write-ins for Line 29 from overflow page | | | |
| 2999. | TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above) | | | |

STATEMENT OF REVENUE AND EXPENSES (Continued)

| | | 1 | 2 |
|---------------------------------------|--|--------------|------------|
| | | Current Year | Prior Year |
| CAPITAL & SURPLUS ACCOUNT | | | |
| 33. | Capital and surplus prior reporting year | 17,929,640 | 18,282,548 |
| GAINS AND LOSSES TO CAPITAL & SURPLUS | | | |
| 34. | Net income or (loss) from Line 32 | 4,510,536 | (352,910) |
| 35. | Change in valuation basis of aggregate policy and claim reserves | | |
| 36. | Net unrealized capital gains and losses | | |
| 37. | Change in net unrealized foreign exchange capital gain or (loss) | | |
| 38. | Change in net deferred income tax | | |
| 39. | Change in nonadmitted assets | (160,599) | |
| 40. | Change in unauthorized reinsurance | | |
| 41. | Change in treasury stock | | |
| 42. | Change in surplus notes | | |
| 43. | Cumulative effect of changes in accounting principles | | |
| 44. | Capital Changes: | | |
| 44.1 | Paid in | | |
| 44.2 | Transferred from surplus (Stock Dividend) | | |
| 44.3 | Transferred to surplus | | |
| 45. | Surplus adjustments: | | |
| 45.1 | Paid in | | |
| 45.2 | Transferred to capital (Stock Dividend) | | |
| 45.3 | Transferred from capital | | |
| 46. | Dividends to stockholders | | |
| 47. | Aggregate write-ins for gains or (losses) in surplus | | |
| 48. | Net change in capital and surplus (Lines 34 to 47) | 4,349,937 | (352,910) |
| 49. | Capital and surplus end of reporting year (Line 33 plus 48) | 22,279,577 | 17,929,638 |
| DETAILS OF WRITE-INS | | | |
| 4701. | Miscellaneous | | |
| 4702 | ..... |  |  |
| 4703 | ..... |  |  |
| 4798. | Summary of remaining write-ins for Line 47 from overflow page | | |
| 4799. | TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above) | | |

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

| | Current Year | | Previous Year |
|--|----------------|--------------------|---------------|
| | Current Period | Year to Date Total | Total |
| Member Months | 0 | 186 | 1,411,276 |
| REVENUES: | | | |
| 1. TennCare Capitation | 0 | 195,632 | 109,964,306 |
| 2. Investment | 770,003 | 3,614,841 | 4,659,647 |
| 3. Other Revenue | 0 | 135 | 13,508 |
| State Admin Revenue | 1,249,104 | 1,249,104 | 0 |
| 4. TOTAL REVENUES (Lines 1 to 3) | 2,019,107 | 5,059,712 | 114,637,461 |
| EXPENSES: | | | |
| Medical and Hospital Services: | | | |
| 5. Capitated Physician Services | (17,895) | (17,895) | 1,606,239 |
| 6. Fee-For-Service Physician Services | 0 | 0 | 9,525,814 |
| 7. Inpatient Hospital Services | (33,088) | (31,017) | 53,508,572 |
| 8. Outpatient Services | 0 | 0 | 3,310,194 |
| 9. Emergency Room Services | 0 | 0 | 4,721,849 |
| 10. Mental Health Services | 0 | 0 | 31,939 |
| 11. Dental Services (Capitated & FFS) | (2,786) | 0 | 2,824,862 |
| 12. Vision Services (Capitated , FFS & Opthamology) | 0 | 0 | 397,033 |
| 13. Pharmacy Services (Capitated & FFS) | (25,923) | (1,287,199) | 19,195,524 |
| 14. Home Health Services | 0 | 0 | 214,000 |
| 15. Chiropractic Services | 0 | 0 | 0 |
| 16. Radiology Services | 0 | 0 | 84,151 |
| 17. Laboratory Services | 0 | 0 | 8,427,366 |
| 18. Durable Medical Equipment Services | 0 | 0 | 3,268,563 |
| 19. Transportation Services (Capitated) | 0 | 0 | 1,812,929 |
| 20. Outside Referrals | 0 | 0 | 0 |
| 21. Medical Incentive Pool and Withhold Adjustments | 0 | 0 | 0 |
| 22. Occupancy, Depreciation, and Amortization | 0 | 0 | 0 |
| 23. Other Medical and Hospital Services (Provide Detail) | | | |
| Surgery - Orthopedic - FFS Office | 0 | 0 | 54 |
| MCO Delegated Services | 0 | 0 | 28,013 |
| Allergy & Immunology FFS Office & Other | 0 | 0 | 4,174,703 |
| Counselors/Therapists | 0 | 0 | 0 |
| Otolaryngology - FFS Office | 0 | 0 | 562,890 |
| Anesthesiology - FFS Hosp & Other | 0 | 0 | 1,642,476 |
| Gastroenterology | 0 | 0 | 15,795 |
| Preventive Medicine | 0 | 0 | 1,614,304 |
| Ped Emergency Medicine - FFS Hospital | 0 | 0 | 0 |
| IBNR | 0 | 0 | (28,200,790) |
| Risk Share | 2,166,236 | 2,589,946 | (3,389,592) |
| 24. Subtotal (Lines 5 to 23) | 2,086,544 | 1,253,835 | 85,376,888 |
| 25. Reinsurance Expenses Net of Recoveries | 0 | 0 | 0 |
| LESS: | 0 | | |
| 26. Copayments | 0 | 0 | 0 |
| 27. Subrogation | 0 | 0 | 0 |
| 27a Recoveries | 144,526 | 704,659 | 754,116 |
| 28. Coordination of Benefits | 0 | 0 | 0 |
| 29. Subtotal (Lines 26 to 28) | 144,526 | 704,659 | 754,116 |
| 30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29) | 1,942,018 | 549,176 | 84,622,772 |

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

| | Current Year | | Previous Year |
|---|----------------|--------------------|---------------|
| | Current Period | Year to Date Total | Total |
| Member Months | 394,101 | 1,575,934 | 727,368 |
| REVENUES: | | | |
| 1. TennCare Capitation | 58,136,502 | 240,947,307 | 90,972,689 |
| 2. Investment | 502 | 2,341 | 6,278 |
| 3. Other Revenue | | | |
| IBNR / Capitation Revenue Receivable | (8,529,099) | 18,842,234 | 38,980,147 |
| Premium Tax | 39,601 | (322,160) | 1,367,090 |
| 4. TOTAL REVENUES (Lines 1 to 3) | 49,647,506 | 259,469,722 | 131,326,204 |
| EXPENSES: | | | |
| Medical and Hospital Services: | | | |
| 5. Capitated Physician Services | 350,654 | 1,675,000 | 1,834,371 |
| 6. Fee-For-Service Physician Services | 5,039,325 | 21,152,510 | 9,557,112 |
| 7. Inpatient Hospital Services | 29,778,121 | 126,729,916 | 47,063,881 |
| 8. Outpatient Services | (2,839) | 3,336,119 | 1,902,646 |
| 9. Emergency Room Services | 2,750,395 | 11,477,633 | 5,510,846 |
| 10. Mental Health Services | 5,330 | 18,409 | 15,387 |
| 11. Dental Services (Capitated & FFS) | 681 | 12,498 | 1,199,674 |
| 12. Vision Services (Capitated , FFS & Opthamology) | 234,465 | 823,292 | 286,020 |
| 13. Pharmacy Services (Capitated & FFS) | (4,430,723) | 38,160,121 | 44,010,235 |
| 14. Home Health Services | 111,648 | 439,080 | 115,023 |
| 15. Chiropractic Services | 0 | 0 | 0 |
| 16. Radiology Services | 49,350 | 156,046 | 53,202 |
| 17. Laboratory Services | 7,255,031 | 24,737,079 | 9,642,464 |
| 18. Durable Medical Equipment Services | 2,118,131 | 6,911,188 | 2,132,499 |
| 19. Transportation Services (Capitated) | 1,366,907 | 4,500,642 | 1,035,501 |
| 20. Outside Referrals | 0 | 0 | 0 |
| 21. Medical Incentive Pool and Withhold Adjustments | 0 | 0 | 0 |
| 22. Occupancy, Depreciation, and Amortization | 0 | 0 | 0 |
| 23. Other Medical and Hospital Services (Provide Detail) | | | |
| Surgery - Orthopedic - FFS Office | 0 | 0 | 0 |
| MCO Delegated Services | 0 | 0 | 0 |
| Allergy & Immunology FFS Office & Other | 1,685,007 | 6,972,921 | 2,545,219 |
| Counselors/Therapists | 0 | 0 | 0 |
| Otolaryngology - FFS Office | 454,922 | 1,206,908 | 355,881 |
| Anesthesiology - FFS Hosp & Other | 946,212 | 3,255,732 | 1,013,451 |
| Gastroenterology | 5,852 | 30,454 | 10,814 |
| Preventive Medicine | 821,448 | 3,149,797 | 1,138,917 |
| Ped Emergency Medicine - FFS Hospital | 0 | 0 | 0 |
| Miscellaneous | 43,028 | 284,075 | 138,184 |
| IBNR | 0 | 0 | 0 |
| Risk Share | 0 | 0 | 0 |
| 24. Subtotal (Lines 5 to 23) | 48,582,946 | 255,029,421 | 129,561,327 |
| 25. Reinsurance Expenses Net of Recoveries | 0 | 0 | 0 |
| LESS: | 0 | | |
| 26. Copayments | 0 | 0 | 0 |
| 27. Subrogation | 54,839 | 132,638 | 0 |
| 27a Recoveries | 43,341 | 246,053 | 54,702 |
| 28. Coordination of Benefits | 0 | 0 | 0 |
| 29. Subtotal (Lines 26 to 28) | 98,180 | 378,692 | 54,702 |
| 30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29) | 48,484,766 | 254,650,729 | 129,506,625 |

Report #2A: TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES

| | Current Year | | Previous Year |
|--|----------------|--------------------|---------------|
| | Current Period | Year to Date Total | Total |
| Member Months | 394,101 | 1,576,120 | 1,411,276 |
| REVENUES: | | | |
| 1. TennCare Capitation | 58,136,501 | 241,142,939 | 200,936,995 |
| 2. Investment | 770,505 | 3,617,182 | 4,665,925 |
| 3. Other Revenue | 0 | 135 | 13,508 |
| State Admin Revenue | 1,249,104 | 1,249,104 | |
| IBNR / Capitation Revenue Receivable | (8,529,099) | 18,842,234 | 38,980,147 |
| Premium Tax | 39,601 | (322,160) | 1,367,090 |
| 4. TOTAL REVENUES (Lines 1 to 3) | 51,666,613 | 264,529,434 | 245,963,665 |
| EXPENSES: | | | |
| Medical and Hospital Services: | | | |
| 5. Capitated Physician Services | 332,759 | 1,657,105 | 3,440,610 |
| 6. Fee-For-Service Physician Services | 5,039,326 | 21,152,510 | 16,266,424 |
| 7. Inpatient Hospital Services | 29,745,033 | 126,698,899 | 84,751,549 |
| 8. Outpatient Services | (2,839) | 3,336,119 | 5,212,840 |
| 9. Emergency Room Services | 2,750,394 | 11,477,633 | 8,836,583 |
| 10. Mental Health Services | 5,330 | 18,409 | 47,326 |
| 11. Dental Services (Capitated & FFS) | (2,105) | 12,498 | 4,024,536 |
| 12. Vision Services (Capitated , FFS & Opthamology) | 234,465 | 823,292 | 683,053 |
| 13. Pharmacy Services (Capitated & FFS) | (4,456,646) | 36,872,922 | 57,530,209 |
| 14. Home Health Services | 111,648 | 439,080 | 329,023 |
| 15. Chiropractic Services | 0 | 0 | 0 |
| 16. Radiology Services | 49,350 | 156,046 | 137,353 |
| 17. Laboratory Services | 7,255,031 | 24,737,079 | 15,578,107 |
| 18. Durable Medical Equipment Services | 2,118,131 | 6,911,188 | 5,401,062 |
| 19. Transportation Services (Capitated) | 1,366,907 | 4,500,642 | 2,848,430 |
| 20. Outside Referrals | 0 | 0 | 0 |
| 21. Medical Incentive Pool and Withhold Adjustments | 0 | 0 | 0 |
| 22. Occupancy, Depreciation, and Amortization | 0 | 0 | 0 |
| 23. Other Medical and Hospital Services (Provide Detail) | | | |
| Surgery - Orthopedic - FFS Office | 0 | 0 | 54 |
| MCO Delegated Services | 0 | 0 | 28,013 |
| Allergy & Immunology FFS Office & Other | 1,685,007 | 6,972,921 | 6,719,922 |
| Counselors/Therapists | 0 | 0 | 0 |
| Otolaryngology - FFS Office | 454,921 | 1,206,908 | 918,771 |
| Anesthesiology - FFS Hosp & Other | 946,211 | 3,255,732 | 2,655,927 |
| Gastroenterology | 5,852 | 30,454 | 26,609 |
| Preventive Medicine | 821,448 | 3,149,797 | 2,753,221 |
| Ped Emergency Medicine - FFS Hospital | 0 | 0 | 0 |
| Miscellaneous | 43,028 | 284,075 | 138,184 |
| IBNR | 0 | 0 | 0 |
| Risk Share | 2,166,236 | 2,589,946 | (3,389,592) |
| 24. Subtotal (Lines 5 to 23) | 50,669,488 | 256,283,255 | 214,938,214 |
| 25. Reinsurance Expenses Net of Recoveries | 0 | 0 | 0 |
| LESS: | | | |
| 26. Copayments | 0 | 0 | 0 |
| 27. Subrogation | 54,839 | 132,638 | 0 |
| 27a Recoveries | 187,866 | 950,712 | 808,818 |
| 28. Coordination of Benefits | 0 | 0 | 0 |
| 29. Subtotal (Lines 26 to 28) | 242,705 | 1,083,350 | 808,818 |
| 30. TOTAL MEDICAL AND HOSPITAL (Lines 24 and 25 less 29) | 50,426,784 | 255,199,905 | 214,129,396 |

| Report #2A (Continued): TENNCARE OPERATIONS STATEMENT OF REVENUES AND EXPENSES | | | |
|---|----------------|--------------------|--------------------|
| | Current Year | | |
| | Current Period | Year to Date Total | Year to Date Total |
| Administration: 31. Compensation (Including Allocated Costs) 2,189,125 9,711,431 8,784,009 32. Marketing (Including Allocated Costs) 2,082 6,931 8,861 33. Premium Tax Expense 1,265,202 5,259,768 4,402,263 34. Occupancy, Depreciation and Amortization (Including Allocated Costs) 234,299 948,249 994,528 35. Other Administration (Provide detail) 0 0 Printing 61,566 271,087 267,302 Rent/Utilities 0 0 0 Franchise, Excise & Property Taxes 0 0 0 Postage 26,534 153,139 160,112 Legal Fees 1,140 6,993 7,650 Liquidated Damages 300,000 1,203,280 804,000 Outside Services 83,371 329,948 4,752 Board & Committee Fees 0 0 0 Auditing, actuarial and other consulting services 0 0 0 Books & Subscriptions 2,002 3,328 3,393 Dues, Fees & Licenses 190 53,148 179,188 Education & Seminars 0 2,134 1,322 Meals & Entertainment 344 1,627 1,360 Office Supplies 459 1,622 3,851 Minor Equipment 0 22 1,733 Travel 339 6,068 3,099 Wellness Program 0 0 0 Leases & Rentals of equipment 0 0 0 Repairs/Maintenance Agreements 0 902 874 Telephone/Beepers/Cellular Phones 46 124 125 Temp/Contract Personnel 15,013 56,759 40,160 Provision for Loss Contracts 0 0 5,547,257 Risk Banding Reserve (4,053,559) (4,053,559) 1,789,491 Program Run Out Expense 0 0 0 State Admin (3,873,945) (17,059,131) (7,688,143) Miscellaneous Expense 530,810 655,976 10,236,342 Total DIRECT Expenses (3,214,984) (2,440,154) 25,553,529 | | | |
| Other ALLOCATED Expenses (Provide detail) Rent/Utilities 142,204 568,844 497,694 Printing 28,601 141,915 105,252 Postage 102,051 413,518 334,794 Legal Fees (137,322) 189,293 241,322 Outside Services (62,445) 954,943 1,263,964 Board & Committee Fees (53,160) 89,638 139,036 Survey Fees (49,809) 65,330 80,948 Telephone/Beepers/Cellular Phones 50,544 240,337 205,744 Books & Subscriptions 18,932 82,708 33,097 Minor Equipment 3,641 43,690 44,598 Computer Supplies (0) 289 2,666 Dues, Fees & Licenses 80,964 356,822 215,385 Education & Seminars 6,731 58,092 54,289 Meals & Entertainment 8,905 28,996 32,430 Office Supplies 35,306 129,773 127,809 Travel 17,076 78,995 102,059 Miscellaneous Expense 183,460 279,964 36,039 Franchise, Excise & Property Taxes & Sales/Use Tax (52,505) 108,812 130,721 Insurance 102,939 387,966 178,586 Leases & Rentals of equipment 36,489 145,200 145,941 Repairs/Maintenance Agreements 213,444 538,554 545,332 Relocation Expense Total 10,014 13,692 14,090 Training and Orientation Total 0 0 1,018 Temp/Contract Personnel 226,873 873,620 754,332 Covenant Management Fees 367,039 1,468,156 1,346,504 Total ALLOCATED Expenses 1,279,971 7,259,147 6,633,649 | | | |
| 36. TOTAL ADMINISTRATION (Lines 31 to 36) | (1,935,013) | 4,818,993 | 32,187,178 |
| FIT & Excise Tax 0 0 0 | | | |
| 37. Total Other Expenses: | 0 | 0 | 0 |
| 38. TOTAL EXPENSES (Lines 30 and 37 and 37A) | 48,491,771 | 260,018,898 | 246,316,574 |
| 39. NET INCOME (LOSS) (Line 4 less Line 38) | 3,174,841 | 4,510,536 | (352,909) |

CASH FLOW

| | | 1 | 2 |
|---|---|--------------|-------------|
| | | Current Year | Prior Year |
| Cash from Operations | | | |
| 1. | Premiums collected net of reinsurance | 2,713,815 | 114,089,856 |
| 2. | Net investment income | 3,706,687 | 4,212,347 |
| 3. | Miscellaneous income | 1,249,239 | 13,508 |
| 4. | Total (Lines 1 through 3) | 7,669,741 | 118,315,711 |
| 5. | Benefit and loss related payments | 2,233,153 | 108,783,164 |
| 6. | Net transfers to Separate, Segregated and Protected Cell Accounts | | |
| 7. | Commissions, expenses paid and aggregate write-ins for deductions | 26,475,929 | 15,721,336 |
| 8. | Dividends paid to policyholders | | |
| 9. | Federal and foreign income taxes paid (recovered) \$...... net tax on capital gains (losses) | | |
| 10. | Total (Lines 5 through 9) | 28,709,082 | 124,504,500 |
| 11. | Net cash from operations (Lines 4 minus 10) | (21,039,341) | (6,188,789) |
| Cash from Investments | | | |
| 12. | Proceeds from investments sold, matured or repaid: | | |
| 12.1 | Bonds | 45,967,675 | 37,857,526 |
| 12.2 | Stocks | | |
| 12.3 | Mortgage loans | | |
| 12.4 | Real estate | | |
| 12.5 | Other invested assets | | |
| 12.6 | Net gains or (losses) on cash and short-term investments | | |
| 12.7 | Miscellaneous proceeds | | |
| 12.8 | Total investment proceeds (Lines 12.1 to 12.7) | 45,967,675 | 37,857,526 |
| 13. | Cost of investments acquired (long-term only): | | |
| 13.1 | Bonds | 22,945,277 | 31,837,982 |
| 13.2 | Stocks | | |
| 13.3 | Mortgage loans | | |
| 13.4 | Real estate | | |
| 13.5 | Other invested assets | | |
| 13.6 | Miscellaneous applications | | |
| 13.7 | Total investments acquired (Lines 13.1 to 13.6) | 22,945,277 | 31,837,982 |
| 14. | Net increase (or decrease) in policy loans and premium notes | | |
| 15. | Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) | 23,022,398 | 6,019,544 |
| Cash from Financing and Miscellaneous Sources | | | |
| 16. | Cash provided (applied): | | |
| 16.1 | Surplus notes, capital notes | | |
| 16.2 | Capital and paid in surplus, less treasury stock | | |
| 16.3 | Borrowed funds received | | |
| 16.4 | Net deposits on deposit-type contracts and other insurance liabilities | | |
| 16.5 | Dividends to stockholders | | |
| 16.6 | Other cash provided (applied) | | |
| 17. | Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) | | |
| RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS | | | |
| 18. | Net change in cash and short-term investments (Line 11, plus Line 15, plus Line 17) | 1,983,057 | (169,245) |
| 19. | Cash and short-term investments: | | |
| 19.1 | Beginning of year | 3,776,349 | 3,945,594 |
| 19.2 | End of year (Line 18 plus Line 19.1) | 5,759,406 | 3,776,349 |

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

(Gain and Loss Exhibit)

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|----------------------|---|-------------|---|------------------------|----------------|----------------|---|-----------------------------|---------------------------|--------------|----------------------|-----------------------|-----------------|---------------------|
| | | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employee Health Benefit Plan | Title XVIII- Medicare | Title XIX- Medicaid | Stop Loss | Disability Income | Long- term Care | Other Health | Other Non-Health |
| 1. | Net premium income | 195,632 | | | | | | | 195,632 | | | | | |
| 2. | Change in unearned premium reserves and reserve for rate credit | | | | | | | | | | | | | |
| 3. | Fee-for-service (net of \$..... medical expenses) | | | | | | | | | | | | | X X X |
| 4. | Risk revenue | | | | | | | | | | | | | X X X |
| 5. | Aggregate write-ins for other health care related revenues | 1,249,239 | | | | | | | 1,249,239 | | | | | X X X |
| 6. | Aggregate write-ins for other non-health care related revenues | | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 7. | TOTAL revenues (Lines 1 to 6) | 1,444,871 | | | | | | | 1,444,871 | | | | | |
| 8. | Hospital/medical benefits | | | | | | | | | | | | | X X X |
| 9. | Other professional services | (48,912) | | | | | | | (48,912) | | | | | X X X |
| 10. | Outside referrals | | | | | | | | | | | | | X X X |
| 11. | Emergency room and out-of-area | | | | | | | | | | | | | X X X |
| 12. | Prescription drugs | (1,287,199) | | | | | | | (1,287,199) | | | | | X X X |
| 13. | Aggregate write-ins for other hospital and medical | 1,885,287 | | | | | | | 1,885,287 | | | | | X X X |
| 14. | Incentive pool, withhold adjustments and bonus amounts | | | | | | | | | | | | | X X X |
| 15. | Subtotal (Lines 8 to 14) | 549,176 | | | | | | | 549,176 | | | | | X X X |
| 16. | Net reinsurance recoveries | | | | | | | | | | | | | X X X |
| 17. | TOTAL hospital and medical (Lines 15 minus 16) | 549,176 | | | | | | | 549,176 | | | | | X X X |
| 18. | Non-health claims (net) | | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 19. | Claims adjustment expenses | | | | | | | | | | | | | |
| 20. | General administrative expenses | | | | | | | | | | | | | |
| 21. | Increase in reserves for accident and health contracts | | | | | | | | | | | | | X X X |
| 22. | Increase in reserves for life contracts | | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 23. | TOTAL underwriting deductions (Lines 17 to 22) | 549,176 | | | | | | | 549,176 | | | | | |
| 24. | Net underwriting gain or (loss) (Line 7 minus Line 23) | 895,695 | | | | | | | 895,695 | | | | | |
| DETAILS OF WRITE-INS | | | | | | | | | | | | | | |
| 0501. | Other Revenue | 135 | | | | | | | 135 | | | | | X X X |
| 0502. | State Admin Revenue | 1,249,104 | | | | | | | 1,249,104 | | | | | X X X |
| 0503 | ..... |  |  |  |  |  |  |  |  |  |  |  |  | X X X |
| 0598. | Summary of remaining write-ins for Line 5 from overflow page | | | | | | | | | | | | | X X X |
| 0599. | TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above) | 1,249,239 | | | | | | | 1,249,239 | | | | | X X X |
| 0601 | ..... |  | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 0602 | ..... |  | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 0603 | ..... |  | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 0698. | Summary of remaining write-ins for Line 6 from overflow page | | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 0699. | TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) | | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | |
| 1301. | Recoveries | (704,659) | | | | | | | (704,659) | | | | | X X X |
| 1302. | Risk Share | 2,589,946 | | | | | | | 2,589,946 | | | | | X X X |
| 1303 | ..... |  |  |  |  |  |  |  |  |  |  |  |  | X X X |
| 1398. | Summary of remaining write-ins for Line 13 from overflow page | | | | | | | | | | | | | X X X |
| 1399. | TOTALS (Lines 1301 through 1303 plus 1398) (Line 13 above) | 1,885,287 | | | | | | | 1,885,287 | | | | | X X X |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

| | | 1 | 2 | 3 | 4 |
|------------------|---|--------------------|------------------------|----------------------|---|
| Line of Business | | Direct Business | Reinsurance Assumed | Reinsurance Ceded | Net Premium Income (Columns 1 + 2 - 3) |
| 1. | Comprehensive (hospital and medical) ..... | ..... | ..... | ..... | ..... |
| 2. | Medicare Supplement ..... | ..... | ..... | ..... | ..... |
| 3. | Dental only ..... | ..... | ..... | ..... | ..... |
| 4. | Vision only ..... | ..... | ..... | ..... | ..... |
| 5. | Federal Employee Health Benefits Plan ..... | ..... | ..... | ..... | ..... |
| 6. | Title XVIII - Medicare ..... | ..... | ..... | ..... | ..... |
| 7. | Title XIX - Medicaid | 195,632 | ..... | ..... | 195,632 |
| 8. | Stop loss ..... | ..... | ..... | ..... | ..... |
| 9. | Disability income ..... | ..... | ..... | ..... | ..... |
| 10. | Long-term care ..... | ..... | ..... | ..... | ..... |
| 11. | Other health ..... | ..... | ..... | ..... | ..... |
| 12. | Health subtotal (Lines 1 through 11) | 195,632 | ..... | ..... | 195,632 |
| 13. | Life ..... | ..... | ..... | ..... | ..... |
| 14. | Property/casualty ..... | ..... | ..... | ..... | ..... |
| 15. | TOTALS (Lines 12 to 14) | 195,632 | ..... | ..... | 195,632 |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - Claims Incurred During the Year

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|-----|---|-----------|--|------------------------|----------------|----------------|---|----------------------------|--------------------------|--------------|----------------------|-------------------|-----------------|---------------------|
| | | Total | Comprehensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Stop Loss | Disability Income | Long-Term Care | Other Health | Other Non-Health |
| 1. | Payments during the year: | | | | | | | | | | | | | |
| | 1.1 Direct | 2,244,443 | | | | | | | 2,244,443 | | | | | |
| | 1.2 Reinsurance assumed | | | | | | | | | | | | | |
| | 1.3 Reinsurance ceded | | | | | | | | | | | | | |
| | 1.4 Net | 2,244,443 | | | | | | | 2,244,443 | | | | | |
| 2. | Paid medical incentive pools and bonuses | | | | | | | | | | | | | |
| 3. | Claim liability December 31, current year from Part 2A: | | | | | | | | | | | | | |
| | 3.1 Direct | 1,421,510 | | | | | | | 1,421,510 | | | | | |
| | 3.2 Reinsurance assumed | | | | | | | | | | | | | |
| | 3.3 Reinsurance ceded | | | | | | | | | | | | | |
| | 3.4 Net | 1,421,510 | | | | | | | 1,421,510 | | | | | |
| 4. | Claim reserve December 31, current year from Part 2D: | | | | | | | | | | | | | |
| | 4.1 Direct | | | | | | | | | | | | | |
| | 4.2 Reinsurance assumed | | | | | | | | | | | | | |
| | 4.3 Reinsurance ceded | | | | | | | | | | | | | |
| | 4.4 Net | | | | | | | | | | | | | |
| 5. | Accrued medical incentive pools and bonuses, current year | | | | | | | | | | | | | |
| 6. | Amounts recoverable from reinsurers December 31, current year | | | | | | | | | | | | | |
| 7. | Claim liability December 31, prior year from Part 2A: | | | | | | | | | | | | | |
| | 7.1 Direct | 3,116,777 | | | | | | | 3,116,777 | | | | | |
| | 7.2 Reinsurance assumed | | | | | | | | | | | | | |
| | 7.3 Reinsurance ceded | | | | | | | | | | | | | |
| | 7.4 Net | 3,116,777 | | | | | | | 3,116,777 | | | | | |
| 8. | Claim reserve December 31, prior year from Part 2D: | | | | | | | | | | | | | |
| | 8.1 Direct | | | | | | | | | | | | | |
| | 8.2 Reinsurance assumed | | | | | | | | | | | | | |
| | 8.3 Reinsurance ceded | | | | | | | | | | | | | |
| | 8.4 Net | | | | | | | | | | | | | |
| 9. | Accrued medical incentive pools and bonuses, prior year | | | | | | | | | | | | | |
| 10. | Amounts recoverable from reinsurers December 31, prior year | | | | | | | | | | | | | |
| 11. | Incurred benefits: | | | | | | | | | | | | | |
| | 11.1 Direct | 549,176 | | | | | | | 549,176 | | | | | |
| | 11.2 Reinsurance assumed | | | | | | | | | | | | | |
| | 11.3 Reinsurance ceded | | | | | | | | | | | | | |
| | 11.4 Net | 549,176 | | | | | | | 549,176 | | | | | |
| 12. | Incurred medical incentive pools and bonuses | | | | | | | | | | | | | |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - Claims Liability End of Current Year

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|----|--|-----------|---|------------------------|----------------|----------------|---|----------------------------|--------------------------|--------------|----------------------|-------------------|-----------------|---------------------|
| | | Total | Compre- hensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Stop Loss | Disability Income | Long-Term Care | Other Health | Other Non-Health |
| 1. | Reported in Process of Adjustment: | | | | | | | | | | | | | |
| | 1.1 Direct | 33,959 | | | | | | | 33,959 | | | | | |
| | 1.2 Reinsurance assumed | | | | | | | | | | | | | |
| | 1.3 Reinsurance ceded | | | | | | | | | | | | | |
| | 1.4 Net | 33,959 | | | | | | | 33,959 | | | | | |
| 2. | Incurred but Unreported: | | | | | | | | | | | | | |
| | 2.1 Direct | 1,387,551 | | | | | | | 1,387,551 | | | | | |
| | 2.2 Reinsurance assumed | | | | | | | | | | | | | |
| | 2.3 Reinsurance ceded | | | | | | | | | | | | | |
| | 2.4 Net | 1,387,551 | | | | | | | 1,387,551 | | | | | |
| 3. | Amounts Withheld from Paid Claims and Capitations: | | | | | | | | | | | | | |
| | 3.1 Direct | | | | | | | | | | | | | |
| | 3.2 Reinsurance assumed | | | | | | | | | | | | | |
| | 3.3 Reinsurance ceded | | | | | | | | | | | | | |
| | 3.4 Net | | | | | | | | | | | | | |
| 4. | TOTALS | | | | | | | | | | | | | |
| | 4.1 Direct | 1,421,510 | | | | | | | 1,421,510 | | | | | |
| | 4.2 Reinsurance assumed | | | | | | | | | | | | | |
| | 4.3 Reinsurance ceded | | | | | | | | | | | | | |
| | 4.4 Net | 1,421,510 | | | | | | | 1,421,510 | | | | | |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

| | | Claims Paid During the Year | | Claim Reserve and Claim Liability December 31 of Current Year | | 5 | 6 |
|------------------------|--|---|--|---|--|--|---|
| | | 1 On Claims Incurred Prior to January 1 of Current Year | 2 On Claims Incurred During the Year | 3 On Claims Unpaid December 31 of Prior Year | 4 On Claims Incurred During the Year | Claims Incurred in Prior Years (Columns 1 + 3) | Estimated Claim Reserve and Claim Liability December 31 of Prior Year |
| Line of Business | | | | | | | |
| 1. | Comprehensive (hospital and medical) ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 2. | Medicare Supplement ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 3. | Dental only ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 4. | Vision only ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 5. | Federal Employees Health Benefits Plan ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 6. | Title XVIII - Medicare ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 7. | Title XIX - Medicaid | 2,244,443 | ..... | 1,421,510 | ..... | 3,665,953 | 3,116,777 |
| 8. | Other health ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 9. | Health subtotal (Lines 1 to 8) | 2,244,443 | ..... | 1,421,510 | ..... | 3,665,953 | 3,116,777 |
| 10. | Other non-health ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 11. | Medical incentive pool and bonus amounts ..... | ..... | ..... | ..... | ..... | ..... | ..... |
| 12. | TOTALS (Lines 9 to 11) | 2,244,443 | ..... | 1,421,510 | ..... | 3,665,953 | 3,116,777 |

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Grand Total

Section A - Paid Health Claims

| Year in Which Losses Were Incurred | | Cumulative Net Amounts Paid | | | | |
|---------------------------------------|-------------|-----------------------------|-----------|-----------|-----------|-----------|
| | | 1 1999 | 2 2000 | 3 2001 | 4 2002 | 5 2003 |
| 1. | Prior | 15,711 | | | | |
| 2. | 1999 | 121,357 | 14,912 | | | |
| 3. | 2000 | X X X | 110,927 | 17,633 | | |
| 4. | 2001 | X X X | X X X | 167,667 | 17,842 | |
| 5. | 2002 | X X X | X X X | X X X | 94,543 | 2,244 |
| 6. | 2003 | X X X | X X X | X X X | X X X | |

Section B - Incurred Health Claims

| Year in Which Losses Were Incurred | | Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year | | | | |
|---------------------------------------|-------------|--|-----------|-----------|-----------|-----------|
| | | 1 1999 | 2 2000 | 3 2001 | 4 2002 | 5 2003 |
| 1. | Prior | 16,865 | | | | |
| 2. | 1999 | 130,960 | 20,192 | | | |
| 3. | 2000 | X X X | 133,609 | 18,208 | | |
| 4. | 2001 | X X X | X X X | 197,972 | 18,765 | |
| 5. | 2002 | X X X | X X X | X X X | 96,737 | 3,666 |
| 6. | 2003 | X X X | X X X | X X X | X X X | |

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

| Years in Which Premiums were Earned and Claims were Incurred | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---------------------------------|--------------------|--------------------|--|-----------------------|--|-----------------------|------------------|---|--|-----------------------|
| | | Premiums Earned | Claims Payments | Claim Adjustment Expense Payments | (Col. 3/2) Percent | Claim and Claim Adjustment Expense Payments (Col. 2 + 3) | (Col. 5/1) Percent | Claims Unpaid | Unpaid Claims Adjustment Expenses | Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8) | (Col. 9/1) Percent |
| 1. | Prior to 1999 | X X X | 130,522 | | X X X | 130,522 | X X X | | | 130,522 | X X X |
| 2. | 1999 | 128,907 | 136,269 | | | 136,269 | 105.711 | | | 136,269 | 105.711 |
| 3. | 2000 | 155,606 | 128,559 | | | 128,559 | 82.618 | | | 128,559 | 82.618 |
| 4. | 2001 | 204,781 | 185,510 | 5,336 | 2.876 | 190,846 | 93.195 | | | 190,846 | 93.195 |
| 5. | 2002 | 110,159 | 94,543 | 5,273 | 5.577 | 99,816 | 90.611 | 1,422 | | 101,238 | 91.902 |
| 6. | 2003 | | | | | | | | | | |
| 7. | TOTAL (Lines 1 through 6) | X X X | 675,403 | 10,609 | X X X | 686,012 | X X X | 1,422 | | 687,434 | X X X |
| 8. | TOTAL (Lines 2 through 6) | 599,453 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X |

12 Total

| | | |
|----|---|------|
| 12 | Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Hospital and Medical. . . . | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Hospital and Medical. . . . | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Hospital and Medical. . . . | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . . | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . . . | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only. | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only. | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only. | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only. | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only. | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only. | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP. | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP. | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP. | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XVIII-Medicare. | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XVIII-Medicare | NONE |
| 12 | Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XVIII-Medicare | NONE |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)
Title XIX - Medicaid

Section A - Paid Health Claims

| Year in Which Losses Were Incurred | | Cumulative Net Amounts Paid | | | | |
|---------------------------------------|-------------|-----------------------------|-----------|-----------|-----------|-----------|
| | | 1 1999 | 2 2000 | 3 2001 | 4 2002 | 5 2003 |
| 1. | Prior | 15,711 | | | | |
| 2. | 1999 | 121,357 | 14,912 | | | |
| 3. | 2000 | X X X | 110,927 | 17,633 | | |
| 4. | 2001 | X X X | X X X | 167,667 | 17,842 | |
| 5. | 2002 | X X X | X X X | X X X | 94,543 | 2,244 |
| 6. | 2003 | X X X | X X X | X X X | X X X | |

Section B - Incurred Health Claims

| Year in Which Losses Were Incurred | | Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year | | | | |
|---------------------------------------|-------------|--|-----------|-----------|-----------|-----------|
| | | 1 1999 | 2 2000 | 3 2001 | 4 2002 | 5 2003 |
| 1. | Prior | 16,865 | | | | |
| 2. | 1999 | 130,960 | 20,192 | | | |
| 3. | 2000 | X X X | 133,609 | 18,208 | | |
| 4. | 2001 | X X X | X X X | 197,972 | 18,765 | |
| 5. | 2002 | X X X | X X X | X X X | 96,737 | 3,666 |
| 6. | 2003 | X X X | X X X | X X X | X X X | |

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

| Years in Which Premiums were Earned and Claims were Incurred | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---------------------------------|--------------------|--------------------|--|-----------------------|--|-----------------------|------------------|---|--|-----------------------|
| | | Premiums Earned | Claims Payments | Claim Adjustment Expense Payments | (Col. 3/2) Percent | Claim and Claim Adjustment Expense Payments (Col. 2 + 3) | (Col. 5/1) Percent | Claims Unpaid | Unpaid Claims Adjustment Expenses | Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8) | (Col. 9/1) Percent |
| 1. | Prior to 1999 | X X X | 130,522 | | X X X | 130,522 | X X X | | | 130,522 | X X X |
| 2. | 1999 | 128,907 | 136,269 | | | 136,269 | 105.711 | | | 136,269 | 105.711 |
| 3. | 2000 | 155,606 | 128,559 | | | 128,559 | 82.618 | | | 128,559 | 82.618 |
| 4. | 2001 | 204,781 | 185,510 | 5,336 | 2.876 | 190,846 | 93.195 | | | 190,846 | 93.195 |
| 5. | 2002 | 110,159 | 94,543 | 5,273 | 5.577 | 99,816 | 90.611 | 1,422 | | 101,238 | 91.902 |
| 6. | 2003 | | | | | | | | | | |
| 7. | TOTAL (Lines 1 through 6) | X X X | 675,403 | 10,609 | X X X | 686,012 | X X X | 1,422 | | 687,434 | X X X |
| 8. | TOTAL (Lines 2 through 6) | 599,453 | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Other
Section A - Paid Health Claims

| Year in Which Losses Were Incurred | | Cumulative Net Amounts Paid | | | | |
|---------------------------------------|-------------|-----------------------------|-----------|-----------|-----------|-----------|
| | | 1 1999 | 2 2000 | 3 2001 | 4 2002 | 5 2003 |
| 1. | Prior | <div>NONE</div> | | | | |
| 2. | 1999 | | | | | |
| 3. | 2000 | | | | | |
| 4. | 2001 | | X X | | | |
| 5. | 2002 | | X X | X X X | | |
| 6. | 2003 | | X X X | X X X | X X X | |

Section B - Incurred Health Claims

| Year in Which Losses Were Incurred | | Sum of Cumulative Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year | | | | |
|---------------------------------------|-------------|--|-----------|-----------|-----------|-----------|
| | | 1 1999 | 2 2000 | 3 2001 | 4 2002 | 5 2003 |
| 1. | Prior | <div>NONE</div> | | | | |
| 2. | 1999 | | | | | |
| 3. | 2000 | | | | | |
| 4. | 2001 | | X X | | | |
| 5. | 2002 | | X X | X X X | | |
| 6. | 2003 | | X X X | X X X | X X X | |

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

| Years in Which Premiums were Earned and Claims were Incurred | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---------------------------------|--------------------|--------------------|--|-----------------------|--|-----------------------|------------------|---|--|-----------------------|
| | | Premiums Earned | Claims Payments | Claim Adjustment Expense Payments | (Col. 3/2) Percent | Claim and Claim Adjustment Expense Payments (Col. 2 + 3) | (Col. 5/1) Percent | Claims Unpaid | Unpaid Claims Adjustment Expenses | Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8) | (Col. 9/1) Percent |
| 1. | Prior to 1999 | X X X | | | X X X | | X X X | | | | X X X |
| 2. | 1999 | | | | | | | | | | |
| 3. | 2000 | | | <div>NONE</div> | | | | | | | |
| 4. | 2001 | | | | | | | | | | |
| 5. | 2002 | | | | | | | | | | |
| 6. | 2003 | | | | | | | | | | |
| 7. | TOTAL (Lines 1 through 6) | X X X | | | X X X | | X X X | | | | X X X |
| 8. | TOTAL (Lines 2 through 6) | | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X | X X X |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|----------------------|--|------------|---|------------------------|----------------|----------------|---|----------------------------|--------------------------|--------------|----------------------|-------------------|-------|
| | | Total | Compre- hensive (Hospital & Medical) | Medicare Supplement | Dental Only | Vision Only | Federal Employees Health Benefits Plan | Title XVIII Medicare | Title XIX Medicaid | Stop Loss | Disability Income | Long-Term Care | Other |
| POLICY RESERVE | | | | | | | | | | | | | |
| 1. | Unearned premium reserves | | | | | | | | | | | | |
| 2. | Additional policy reserves (a) | 10,826,641 | | | | | | | 10,826,641 | | | | |
| 3. | Reserve for future contingent benefits | | | | | | | | | | | | |
| 4. | Reserve for rate credits or experience rating refunds (including \$.....) for investment income | | | | | | | | | | | | |
| 5. | Aggregate write-ins for other policy reserves | | | | | | | | | | | | |
| 6. | Totals (gross) | 10,826,641 | | | | | | | 10,826,641 | | | | |
| 7. | Reinsurance ceded | | | | | | | | | | | | |
| 8. | Totals (Net) (Page 3, Line 4) | 10,826,641 | | | | | | | 10,826,641 | | | | |
| CLAIM RESERVE | | | | | | | | | | | | | |
| 9. | Present value of amounts not yet due on claims | | | | | | | | | | | | |
| 10. | Reserve for future contingent benefits | | | | | | | | | | | | |
| 11. | Aggregate write-ins for other claim reserves | | | | | | | | | | | | |
| 12. | Totals (gross) | | | | | | | | | | | | |
| 13. | Reinsurance ceded | | | | | | | | | | | | |
| 14. | Totals (Net) (Page 3, Line 7) | | | | | | | | | | | | |
| DETAILS OF WRITE-INS | | | | | | | | | | | | | |
| 0501 | ..... |  |  |  |  |  |  |  |  |  |  |  |  |
| 0502 | ..... |  |  |  |  |  |  |  |  |  |  |  |  |
| 0503 | ..... |  |  |  |  |  |  |  |  |  |  |  |  |
| 0598. | Summary of remaining write-ins for Line 5 from overflow page | | | | | | | | | | | | |
| 0599. | Totals (Lines 0501 through 0503 plus 0598) (Line 5 above) | | | | | | | | | | | | |
| 1101 | ..... |  |  |  |  |  |  |  |  |  |  |  |  |
| 1102 | ..... |  |  |  |  |  |  |  |  |  |  |  |  |
| 1103 | ..... |  |  |  |  |  |  |  |  |  |  |  |  |
| 1198. | Summary of remaining write-ins for Line 11 from overflow page | | | | | | | | | | | | |
| 1199. | Totals (Lines 1101 through 1103 plus 1198) (Line 11 above) | | | | | | | | | | | | |

(a) Includes \$..... premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

| | 1 | 2 | 3 | 4 |
|---|---------------------------------|---------------------------------------|------------------------|------------------|
| | Claim Adjustment Expenses | General Administrative Expenses | Investment Expenses | Total |
| 1. Rent (\$..... for occupancy of own building) ..... | ..... | 514,690 | ..... | 514,690 |
| 2. Salaries, wages and other benefits | 4,078,519 | 4,993,496 | ..... | 9,072,015 |
| 3. Commissions (less \$..... ceded plus \$..... assumed) ... | ..... | ..... | ..... | ..... |
| 4. Legal fees and expenses ..... | ..... | 196,287 | ..... | 196,287 |
| 5. Certifications and accreditation fees ..... | ..... | ..... | ..... | ..... |
| 6. Auditing, actuarial and other consulting services | 430,540 | 1,038,014 | ..... | 1,468,554 |
| 7. Traveling expenses | 20,126 | 64,937 | ..... | 85,063 |
| 8. Marketing and advertising ..... | ..... | 8,795 | ..... | 8,795 |
| 9. Postage, express and telephone | 468,174 | 360,086 | ..... | 828,260 |
| 10. Printing and office supplies | 168,837 | 375,499 | ..... | 544,336 |
| 11. Occupancy, depreciation and amortization ..... | ..... | 948,249 | ..... | 948,249 |
| 12. Equipment | 308 | 43,381 | ..... | 43,690 |
| 13. Cost or depreciation of EDP equipment and software ..... | ..... | ..... | ..... | ..... |
| 14. Outsourced services including EDP, claims, and other services ..... | ..... | ..... | ..... | ..... |
| 15. Boards, bureaus and association fees ..... | ..... | ..... | ..... | ..... |
| 16. Insurance, except on real estate ..... | ..... | 387,966 | ..... | 387,966 |
| 17. Collection and bank service charges | 2,428 | 2,732 | ..... | 5,159 |
| 18. Group service and administration fees ..... | ..... | ..... | ..... | ..... |
| 19. Reimbursements by uninsured accident and health plans ..... | ..... | ..... | ..... | ..... |
| 20. Reimbursements from fiscal intermediaries ..... | ..... | ..... | ..... | ..... |
| 21. Real estate expenses ..... | ..... | ..... | ..... | ..... |
| 22. Real estate taxes ..... | ..... | ..... | ..... | ..... |
| 23. Taxes, licenses and fees: | | | | |
| 23.1 State and local insurance taxes ..... | ..... | ..... | ..... | ..... |
| 23.2 State premium taxes ..... | ..... | 197,453 | ..... | 197,453 |
| 23.3 Regulator authority licenses and fees ..... | ..... | ..... | ..... | ..... |
| 23.4 Payroll taxes | 294,644 | 344,772 | ..... | 639,416 |
| 23.5 Other (excluding federal income and real estate taxes) ..... | ..... | 108,812 | 105,118 | 213,930 |
| 24. Investment expenses not included elsewhere ..... | ..... | ..... | ..... | ..... |
| 25. Aggregate write-ins for expenses | (5,463,577) | (9,585,168) | ..... | (15,048,745) |
| 26. Total expenses incurred (Lines 1 to 25) ..... | ..... | 0 | 105,118 | (a)..... 105,118 |
| 27. Less expenses unpaid December 31, current year ..... | ..... | 11,498,675 | ..... | 11,498,675 |
| 28. Add expenses unpaid December 31, prior year ..... | ..... | 34,363,682 | ..... | 34,363,682 |
| 29. Amounts receivable relating to uninsured accident and health plans, prior year ..... | ..... | ..... | ..... | ..... |
| 30. Amounts receivable relating to uninsured accident and health plans, current year ..... | ..... | ..... | ..... | ..... |
| 31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) . | ..... | 22,865,007 | 105,118 | 22,970,125 |
| DETAILS OF WRITE-INS | | | | |
| 2501. Property & Franchise Taxes ..... | ..... | ..... | ..... | ..... |
| 2502. Dues/Fees/Licenses | 48,932 | 360,183 | ..... | 409,115 |
| 2503. Computer Supplies ..... | ..... | 311 | ..... | 311 |
| 2598. Summary of remaining write-ins for Line 25 from overflow page | (5,512,509) | (9,945,661) | ..... | (15,458,170) |
| 2599. Totals (Lines 2501 through 2503 + 2598)(Line 25 above) | (5,463,577) | (9,585,168) | ..... | (15,048,745) |

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

| | | 1 | 2 |
|------|---|--------------------------|-----------------------|
| | | Collected During Year | Earned During Year |
| 1. | U.S. Government bonds | (a)..... 1,558,296 | 2,184,973 |
| 1.1 | Bonds exempt from U.S. tax | (a)..... | |
| 1.2 | Other bonds (unaffiliated) | (a)..... 711,279 | 901,588 |
| 1.3 | Bonds of affiliates | (a)..... | |
| 2.1 | Preferred stocks (unaffiliated) | (b)..... | |
| 2.11 | Preferred stocks of affiliates | (b)..... | |
| 2.2 | Common stocks (unaffiliated) | | |
| 2.21 | Common stocks of affiliates | | |
| 3. | Mortgage loans | (c)..... | |
| 4. | Real estate | (d)..... | |
| 5. | Contract loans | | |
| 6. | Cash/short-term investments | (e)..... 21,814 | 21,814 |
| 7. | Derivative instruments | (f)..... | |
| 8. | Other invested assets | | |
| 9. | Aggregate write-ins for investment income | | |
| 10. | Total gross investment income | 2,291,390 | 3,108,375 |
| 11. | Investment expenses | | (g)..... 105,118 |
| 12. | Investment taxes, licenses and fees, excluding federal income taxes | | (g)..... |
| 13. | Interest expense | | (h)..... |
| 14. | Depreciation on real estate and other invested assets | | (i)..... |
| 15. | Aggregate write-ins for deductions from investment income | | |
| 16. | Total deductions (Lines 11 through 15) | | 105,118 |
| 17. | Net Investment income (Line 10 minus Line 16) | | 3,003,258 |

| DETAILS OF WRITE-INS | | |
|----------------------|---|-------|
| 0901 | ..... | ..... |
| 0902 | ..... | ..... |
| 0903 | ..... | ..... |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page ..... | ..... |
| 0999. | TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) ..... | ..... |
| 1501 | ..... | ..... |
| 1502 | ..... | ..... |
| 1503 | ..... | ..... |
| 1598. | Summary of remaining write-ins for Line 15 from overflow page ..... | ..... |
| 1599. | TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above) ..... | ..... |

- (a) Includes \$......25,160 accrual of discount less \$......350,084 amortization of premium and less \$......203,527 paid for accrued interest on purchases.
- (b) Includes \$...... accrual of discount less \$...... amortization of premium and less \$...... paid for accrued dividends on purchases.
- (c) Includes \$...... accrual of discount less \$...... amortization of premium and less \$...... paid for accrued interest on purchases.
- (d) Includes \$...... for company's occupancy of its own buildings; and excluding \$...... interest on encumbrances.
- (e) Includes \$...... accrual of discount less \$...... amortization of premium and less \$...... paid for accrued interest on purchases.
- (f) Includes \$...... accrual of discount less \$...... amortization of premium.
- (g) Includes \$...... investment expenses and \$...... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$...... interest on surplus notes and \$...... interest on capital notes.
- (i) Includes \$...... depreciation on real estate and \$...... depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

| | | 1 | 2 | 3 | 4 | 5 |
|------|--|---|-------------------------------|---|--|---------------|
| | | Realized Gain (Loss) on Sales or Maturity | Other Realized Adjustments | Increases (Decreases) by Adjustment | Net Gain (Loss) from Change in Difference Between Basis Book/Adjusted Carrying and Admitted Values | Total |
| 1. | U.S. Government bonds | 524,337 | ..... | ..... | ..... | ..... 524,337 |
| 1.1 | Bonds exempt from U.S. tax | | | | | |
| 1.2 | Other bonds (unaffiliated) | 87,247 | | | | 87,247 |
| 1.3 | Bonds of affiliates | | | | | |
| 2.1 | Preferred stocks (unaffiliated) | | | | | |
| 2.11 | Preferred stocks of affiliates | | | | | |
| 2.2 | Common stocks (unaffiliated) | | | | | |
| 2.21 | Common stocks of affiliates | | | | | |
| 3. | Mortgage loans | | | | | |
| 4. | Real estate | | | | | |
| 5. | Contract loans | | | | | |
| 6. | Cash/short-term investments | | | | | |
| 7. | Derivative instruments | | | | | |
| 8. | Other invested assets | | | | | |
| 9. | Aggregate write-ins for capital gains (losses) | | | | | |
| 10. | Total capital gains (losses) | 611,584 | ..... | ..... | ..... | ..... 611,584 |

| DETAILS OF WRITE-INS | | | | | |
|----------------------|--|-------|-------|-------|-------|
| 0901 | ..... |  |  |  |  |
| 0902 | ..... |  |  |  |  |
| 0903 | ..... |  |  |  |  |
| 0998. | Summary of remaining write-ins for Line 9 from overflow page | | | | |
| 0999. | TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above) ... | ..... | ..... | ..... | ..... |

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

| | | 1 | 2 | 3 |
|----------------------|--|---------------------------|-------------------------|---|
| | | End of Current Year | End of Prior Year | Changes for Year (Increase) or Decrease |
| 1. | Summary of items Page 2, Lines 12 to 20, Column 2 | 239,415 | 78,816 | (160,599) |
| 2. | Other Nonadmitted Assets: | | | |
| 2.1 | Bills receivable | | | |
| 2.2 | Leasehold improvements | | | |
| 2.3 | Cash advanced to or in the hands of officers and agents | | | |
| 2.4 | Loans on personal security, endorsed or not | | | |
| 2.5 | Commuted commissions | | | |
| 3. | Total (Lines 2.1 to 2.5) | | | |
| 4. | Aggregate write-ins for other assets | | | |
| 5. | TOTAL (Line 1 plus Line 3 and Line 4) | 239,415 | 78,816 | (160,599) |
| DETAILS OF WRITE-INS | | | | |
| 0401 | ..... |  |  |  |
| 0402 | ..... |  |  |  |
| 0403 | ..... |  |  |  |
| 0498. | Summary of remaining write-ins for Line 4 from overflow page | | | |
| 0499. | TOTALS (Lines 0401 through 0403 plus 0498) (Line 4 above) | | | |

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

| Source of Enrollment | | Total Members at End of | | | | | 6 |
|----------------------|--|-------------------------|-----------------------|------------------------|-----------------------|----------------------|----------------------------------|
| | | 1 Prior Year | 2 First Quarter | 3 Second Quarter | 4 Third Quarter | 5 Current Year | Current Year Member Months |
| 1. | Health Maintenance Organizations | 131,280 | 135,986 | 129,087 | 132,330 | 131,008 | 1,576,120 |
| 2. | Provider Service Organizations | | | | | | |
| 3. | Preferred Provider Organizations | | | | | | |
| 4. | Point of Service | | | | | | |
| 5. | Indemnity Only | | | | | | |
| 6. | Aggregate write-ins for other lines of business | | | | | | |
| 7. | TOTAL | 131,280 | 135,986 | 129,087 | 132,330 | 131,008 | 1,576,120 |
| DETAILS OF WRITE-INS | | | | | | | |
| 0601 | ..... |  |  |  |  |  |  |
| 0602 | ..... |  |  |  |  |  |  |
| 0603 | ..... |  |  |  |  |  |  |
| 0698. | Summary of remaining write-ins for Line 6 from overflow page | | | | | | |
| 0699. | TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above) | | | | | | |

18 Exhibit 3 - Accident and Health Premiums - NONE

19 Exhibit 4 - Health Care Receivables - NONE

EXHIBIT 5 - CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)
Aging Analysis of Unpaid Claims

| 1 Account | 2 1 - 30 Days | 3 31 - 60 Days | 4 61 - 90 Days | 5 91 - 120 Days | 6 Over 120 Days | 7 Total |
|--|------------------|-------------------|-------------------|--------------------|--------------------|------------|
| Individually Listed Claims Unpaid | | | | | | |
| PHPT Medical Claims | | | | | 33,959 | 33,959 |
| 0199999 Total - Individually Listed Claims Unpaid | | | | | 33,959 | 33,959 |
| 0299999 Aggregate Accounts Not Individually Listed - Uncovered | | | | | | |
| 0399999 Aggregate Accounts Not Individually Listed - Covered | | | | | | |
| 0499999 Subtotals | | | | | 33,959 | 33,959 |
| 0599999 Unreported claims and other claim reserves | | | | | | 1,387,551 |
| 0699999 Total Amounts Withheld | | | | | | |
| 0799999 Total Claims Unpaid | | | | | | 1,421,510 |
| 0899999 Accrued Medical Incentive Pool and Bonus Amounts | | | | | | |

EXHIBIT 6 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

| 1 Name of Affiliate | 2 1 - 30 Days | 3 31 - 60 Days | 4 61 - 90 Days | 5 Over 90 Days | 6 Nonadmitted | Admitted | |
|--|------------------|-------------------|-------------------|-------------------|------------------|--------------|------------------|
| | | | | | | 7 Current | 8 Non-Current |
| Individually listed receivables | | | | | | | |
| Preferred Health Partnership Companies, Inc. - Corp Rec | 5,863,089 | | | | | 5,863,089 | |
| Preferred Health Partnership Companies, Inc. - I/C FIT Rec | | | | 160,600 | 160,600 | | |
| Preferred Health Partnership, Inc. - I/C FIT Rec | | | | 78,816 | 78,816 | | |
| 0199999 Total - Individually listed receivables | 5,863,089 | | | 239,416 | 239,416 | 5,863,089 | |
| 0299999 Receivables not individually listed | | | | | | | |
| 0399999 Total gross amounts receivable | 5,863,089 | | | 239,416 | 239,416 | 5,863,089 | |

EXHIBIT 7 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

| 1 | 2 | 3 | 4 | 5 |
|--|-------------------------------|--------|---------|-------------|
| Affiliate | Description | Amount | Current | Non-Current |
| Individually listed payables | | | | |
| Preferred Health Partnership, Inc. | Inter-Companies Payable | 42,352 | | 42,352 |
| 0199999 Total - Individually listed payables | X X X | 42,352 | | 42,352 |
| 0299999 Payables not individually listed | X X X | | | |
| 0399999 Total gross payables | X X X | 42,352 | | 42,352 |

EXHIBIT 8 - PART 1 - SUMMARY OF TRANSACTIONS WITH PROVIDERS

| | | 1 | 2 | 3 | 4 | 5 | 6 |
|-----------------------------|--|--------------------------------|--------------------------|-----------------------|--------------------------|--|--|
| Payment Method | | Direct Medical Expense Payment | Column 1 as a % of Total | Total Members Covered | Column 3 as a % of Total | Column 1 Expenses Paid to Affiliated Providers | Column 1 Expenses Paid to Non-Affiliated Providers |
| Capitation Payments: | | | | | | | |
| 1. | Medical groups | | | | | | |
| 2. | Intermediaries | | | | | | |
| 3. | All other providers | | | | | | |
| 4. | Total capitation payments | | | | | | |
| Other Payments: | | | | | | | |
| 5. | Fee-for-service | 2,244,443 | 100.000 | X X X | X X X | 202,324 | 2,042,119 |
| 6. | Contractual fee payments | | | X X X | X X X | | |
| 7. | Bonus/withhold arrangements - fee-for-service | | | X X X | X X X | | |
| 8. | Bonus/withhold arrangements - contractual fee payments | | | X X X | X X X | | |
| 9. | Non-contingent salaries | | | X X X | X X X | | |
| 10. | Aggregate cost arrangements | | | X X X | X X X | | |
| 11. | All other payments | | | X X X | X X X | | |
| 12. | Total other payments | 2,244,443 | 100.000 | X X X | X X X | 202,324 | 2,042,119 |
| 13. | Total (Line 4 plus Line 12) | 2,244,443 | 100.000 | X X X | X X X | 202,324 | 2,042,119 |

EXHIBIT 8 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

| 1 | 2 | 3 | 4 | 5 | 6 |
|-----------|----------------------|-----------------|----------------------------|---------------------------------------|---|
| NAIC Code | Name of Intermediary | Capitation Paid | Average Monthly Capitation | Intermediary's Total Adjusted Capital | Intermediary's Authorized Control Level RBC |
| | | N O N E | | | |
| | | | | | |
| 9999999 | | | X X X | X X X | X X X |

EXHIBIT 9 - FURNITURE, EQUIPMENT AND SUPPLIES OWNED

| | | 1 | 2 | 3 | 4 | 5 | 6 |
|-------------|---|---------|--------------|-----------------------------|------------------------------------|---------------------------|---------------------------|
| Description | | Cost | Improvements | Accumulated Depreciation | Book Value Less Encumbrances | Assets Not Admitted | Net Admitted Assets |
| 1. | Administrative furniture and equipment | | | | | | |
| 2. | Medical furniture, equipment and fixtures | N O N E | | | | | |
| 3. | Pharmaceuticals and surgical supplies | | | | | | |
| 4. | Durable medical equipment | | | | | | |
| 5. | Other property and equipment | | | | | | |
| 6. | Total | | | | | | |

Notes to Financial Statement

1. Summary of Significant Accounting Policies

A. Accounting Policies

The financial statements of Preferred Health Partnership of Tennessee, Inc. are presented on the basis of accounting practices prescribed or permitted by the NAIC *Accounting Practices and Procedures* manual and the State of Tennessee Department of Commerce and Insurance.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with the Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policy

The plan does not receive premiums from the State; the plan does receive a monthly capitation check to pay for the claims and administrative expenses of the company. This capitation revenue is recognized as income in the period it is received. Expenses incurred in connection with acquiring new insurance business are charged to operations as incurred.

In addition, the company uses the following accounting policies:

- (1) Short-term investments are stated at amortized cost.
- (2) Bonds are stated at amortized cost using the straight-line method.
- (3) Common Stock is stated at par value.
- (4) Not applicable
- (5) Not applicable
- (6) Not applicable
- (7) Not applicable
- (8) Not applicable
- (9) Not applicable
- (10) Anticipated investment income is not included in premium deficiency calculations.
- (11) Liabilities for losses and loss/claim adjustment expenses include an amount determined based on past experience for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods of making such estimates and for establishing the resulting liability are reviewed on a monthly basis and any adjustments are reflected in the period determined.

2. Accounting Changes and Corrections of Errors

- A. No errors or changes in accounting principles have occurred.
- B. The initial implementation of Codification did not change the company's financial statement basis.

3. Business Combinations and Goodwill

Not applicable

4. Discontinued Operations

Not applicable

5. Investments

Not applicable

6. Joint Ventures, Partnerships, and Limited Liability Companies

Not applicable

7. Investment Income

All investment income due and accrued was admitted.

8. Derivative Instruments

Not applicable

9. Income Taxes

A. Not applicable

Notes to Financial Statement

- B.

Not applicable
- C.

Not applicable
- D.

Not applicable
- E.

Not applicable
- F.

The Plan’s federal income tax return is consolidated with the following entities:

PHP Companies, Inc.; Preferred Health Partnership, Inc.; Cariten Health Plan, Inc.; and Cariten Insurance Company.

Tax payments and the recoupment (in the event of future losses) of taxes paid pursuant to the tax allocation agreement are computed on a separate company basis as determined in accordance with the tax allocation agreement.
10.

Information Concerning Parent, Subsidiaries, and Affiliates

A.

The Plan is a wholly owned subsidiary of PHP Companies, Inc., a holding company domiciled in the State of Tennessee. PHP Companies, Inc. is a wholly owned subsidiary of Covenant Health, a non-profit organization domiciled in the State of Tennessee. The holding company group consists of the following companies: Preferred Health Partnership of Tennessee, Inc.; Preferred Health Partnership, Inc.; Cariten Insurance Company; and Cariten Health Plan, Inc.

B.

The Plan periodically transfers cash to the parent, PHP Companies, Inc.; to reimburse for cost allocations and Plan expenses recorded on the Plan’s behalf by the parent. The following amounts were transferred to the parent during 2003: (1) \$1,000,000 on 01/03/03 (2) \$1,000,000 01/16/03 (3) \$1,000,000 on 02/07/03 (4) \$1,000,000 on 02/27/03 (5) \$1,000,000 on 03/13/03 (6) \$1,000,000 on 03/27/03 (7) \$1,000,000 on 04/25/03 (8) \$1,000,000 on 05/09/03 (9) \$1,000,000 on 06/10/03 (10) \$1,000,000 on 06/18/03 (11) \$1,000,000 on 07/01/03 (12) \$1,000,000 on 07/07/03 (13) \$1,000,000 on 07/30/03 (14) \$1,000,000 on 08/07/03 (15) \$1,000,000 on 08/28/03 (16) \$1,000,000 on 09/10/03 (17) \$1,000,000 on 09/19/03 (18) \$1,000,000 on 10/09/03 (19) \$1,000,000 on 10/23/03 (20) \$500,000 on 10/31/03 (21) \$1,000,000 on 11/06/03 (22) \$1,000,000 on 11/14/03 (23) \$500,000 on 11/20/03 (24) \$1,000,000 on 12/03/03 and (25) \$1,000,000 on 12/09/03

C.

The Plan Transferred \$24,000,000 to PHP Companies. Cost allocations received from the parent company totaled \$16,852,838. Plan expenses paid by the parent company on behalf of the plan totaled \$13,427,486.

D.

As of December 31, 2003, the Plan has a receivable from the parent of \$6,023,648.

E.

Not applicable

F.

The parent company of the Plan accumulates operating costs and allocates these expenses monthly to the operating entities listed above. Allocations are based proportionately on the membership counts of the companies listed above with government program memberships doubled, due to higher administration needs.

G-J.

Not applicable.

11.

Debt

.

Not applicable

12.

Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

Not applicable

13.

Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

(1)

The Plan has 1,000 shares of \$1 par common stock authorized and outstanding. All stock is owned by the parent company, PHP Companies, Inc,

(2)

Not applicable

(3)

No dividends are paid.

(4)

Not applicable

(5)

No restrictions are placed on surplus.

(6)

Not applicable

(7)

No stock is held by company

(8)

Not applicable

(9)

Surplus was reduced \$239,416 due to nonadmitted asset values.

(10)

Not applicable

(11)

Not applicable

(12)

Not applicable

14.

Contingencies

A. - C

Not Applicable

25.1

Notes to Financial Statement

- D.

The Plan has committed no reserves to cover any contingent liabilities. There have been no lawsuits against the company that have arisen in the course of the company’s business. Contingent liabilities arising from litigation, income taxes, and other matters are not considered material in relation to the financial position of the plan.
15.

Leases

Not applicable
16.

Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk.

Not applicable
17.

Sale, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities

Not applicable
18.

Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

Not applicable
19.

Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Not applicable
20.

Other Items

Not applicable
21.

Events Subsequent

Not applicable
22.

Reinsurance

Not applicable
23.

Retrospectively Rated Contracts and Contracts Subject to Redetermination

Not applicable
24.

Change in Incurred Claims and Claims Adjustment Expenses

The reserve for incurred claims is calculated based on a percentage of completion methodology. This methodology is based on actuarial projections of trends in service.
25.

Intercompany Pooling Arrangements

Not applicable
26.

Structured Settlements

Not applicable
27.

Health Care Receivables

Not applicable
28.

Participating Policies

Not applicable
29.

Premium Deficiency Reserves

As of December 31, 2003, the Company had liabilities of \$10,826,641 related to premium deficiency reserves. The Company did not consider anticipated investment income when calculating its premium deficiency reserves.
30.

Anticipated Salvage and Subrogation

Not applicable

SUMMARY INVESTMENT SCHEDULE

| Investment Categories | | Gross Investment Holdings | | Admitted Assets as Reported in the Annual Statement | |
|-----------------------|--|------------------------------|-----------------|--|-----------------|
| | | 1 Amount | 2 Percentage | 3 Amount | 4 Percentage |
| 1. | Bonds: | | | | |
| 1.1 | U.S. treasury securities | 1,933,573 | 3.620 | 1,933,573 | 3.620 |
| 1.2 | U.S. government agency and corporate obligations (excluding mortgage-backed securities): | | | | |
| 1.21 | Issued by U.S. government agencies | 29,466,652 | 55.169 | 29,466,652 | 55.169 |
| 1.22 | Issued by U.S. government sponsored agencies | | | | |
| 1.3 | Foreign government (including Canada, excluding mortgage-backed securities) | | | | |
| 1.4 | Securities issued by states, territories, and possessions and political subdivisions in the U.S.: | | | | |
| 1.41 | States, territories and possessions general obligations | | | | |
| 1.42 | Political subdivisions of states, territories and possessions and political subdivisions general obligations | | | | |
| 1.43 | Revenue and assessment obligations | | | | |
| 1.44 | Industrial development and similar obligations | 16,251,516 | 30.427 | 16,251,516 | 30.427 |
| 1.5 | Mortgage-backed securities (includes residential and commercial MBS): | | | | |
| 1.51 | Pass-through securities: | | | | |
| 1.511 | Guaranteed by GNMA | | | | |
| 1.512 | Issued by FNMA and FHLMC | | | | |
| 1.513 | Privately issued | | | | |
| 1.52 | CMOs and REMICs: | | | | |
| 1.521 | Issued by FNMA and FHLMC | | | | |
| 1.522 | Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC | | | | |
| 1.523 | All other privately issued | | | | |
| 2. | Other debt and other fixed income securities (excluding short term): | | | | |
| 2.1 | Unaffiliated domestic securities (includes credit tenant loans rated by the SVO) | | | | |
| 2.2 | Unaffiliated foreign securities | | | | |
| 2.3 | Affiliated securities | | | | |
| 3. | Equity interests: | | | | |
| 3.1 | Investments in mutual funds | | | | |
| 3.2 | Preferred stocks: | | | | |
| 3.21 | Affiliated | | | | |
| 3.22 | Unaffiliated | | | | |
| 3.3 | Publicly traded equity securities (excluding preferred stocks): | | | | |
| 3.31 | Affiliated | | | | |
| 3.32 | Unaffiliated | | | | |
| 3.4 | Other equity securities: | | | | |
| 3.41 | Affiliated | | | | |
| 3.42 | Unaffiliated | | | | |
| 3.5 | Other equity interests including tangible personal property under lease: | | | | |
| 3.51 | Affiliated | | | | |
| 3.52 | Unaffiliated | | | | |
| 4. | Mortgage loans: | | | | |
| 4.1 | Construction and land development | | | | |
| 4.2 | Agricultural | | | | |
| 4.3 | Single family residential properties | | | | |
| 4.4 | Multifamily residential properties | | | | |
| 4.5 | Commercial loans | | | | |
| 4.6 | Mezzanine real estate loans | | | | |
| 5. | Real estate investments: | | | | |
| 5.1 | Property occupied by company | | | | |
| 5.2 | Property held for production of income (includes \$..... of property acquired in satisfaction of debt) | | | | |
| 5.3 | Property held for sale (\$..... including property acquired in satisfaction of debt) | | | | |
| 6. | Policy loans | | | | |
| 7. | Receivables for securities | | | | |
| 8. | Cash and short-term investments | 5,759,406 | 10.783 | 5,759,406 | 10.783 |
| 9. | Other invested assets | | | | |
| 10. | Total invested assets | 53,411,147 | 100.000 | 53,411,147 | 100.000 |

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[] N/A[]
Tennessee
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2000
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2000
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

12/12/2002
- 3.4 By what department or departments?
Tennessee Department of Commerce & Insurance - TennCare Division
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[] No[X]
- 4.11 sales of new business?

Yes[] No[X]
- 4.12 renewals?
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[] No[X]
- 4.21 sales of new business?

Yes[] No[X]
- 4.22 renewals?
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1 | 2 | 3 |
|----------------|-------------------|-------------------|
| Name of Entity | NAIC Company Code | State of Domicile |
| | | |

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement)

Yes[] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control

%
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

| 1 | 2 |
|-------------|----------------|
| Nationality | Type of Entity |
| | |

GENERAL INTERROGATORIES (continued)

INVESTMENT

18. List the following capital stock information for the reporting entity:

| Class | | 1 Number of Shares Authorized | 2 Number of Shares Outstanding | 3 Par Value Per Share | 4 Redemption Price If Callable | 5 Is Dividend Rate Limited? | 6 Are Dividends Cumulative? |
|-------|-----------------|-------------------------------------|--------------------------------------|-----------------------------|--------------------------------------|-----------------------------------|-----------------------------------|
| 1. | Preferred | 1,000.000 | 100.000 | 1.000 | ..... | Yes[] No[] N/A[X] | Yes[] No[] N/A[X] |
| 2. | Common ..... | ..... | ..... | ..... | ..... X X X | X X X | X X X |

19.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits? Yes[] No[X]

19.2 If no, give full and complete information, relating thereto:
Held at Northern Trust Company

20.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 16.1). Yes[] No[X]

20.2 If yes, state the amount thereof at December 31 of the current year:

| | | |
|-------|--|----------|
| 20.21 | Loaned to others | \$ |
| 20.22 | Subject to repurchase agreements | \$ |
| 20.23 | Subject to reverse repurchase agreements | \$ |
| 20.24 | Subject to dollar repurchase agreements | \$ |
| 20.25 | Subject to reverse dollar repurchase agreements | \$ |
| 20.26 | Pledged as collateral | \$ |
| 20.27 | Placed under option agreements | \$ |
| 20.28 | Letter stock or securities restricted as to sale | \$ |
| 20.29 | Other | \$ |

20.3 For each category above, if any of these assets are held by other, identify by whom held:

20.31
20.32
20.33
20.34
20.35
20.36
20.37
20.38
20.39

For categories (20.21) and (20.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

20.4 For category (20.28) provide the following:

| 1 Nature of Restriction | 2 Description | 3 Amount |
|----------------------------|------------------|-------------|
| | | |

21.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[] No[X]

21.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement. Yes[] No[] N/A[X]

22.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[] No[X]

22.2 If yes, state the amount thereof at December 31 of the current year. \$

GENERAL INTERROGATORIES (continued)

INVESTMENT

23. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?
- 23.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:
- Yes[X] No[]

| 1 Name of Custodian(s) | 2 Custodian's Address |
|------------------------------|--|
| Northern Trust Company | PO Box 75986, Chicago, IL 60675-5986 |

- 23.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| 1 Name(s) | 2 Location(s) | 3 Complete Explanation(s) |
|--------------|------------------|------------------------------|
| | | |

- 23.03 Have there been any changes, including name changes, in the custodian(s) identified in 23.01 during the current year?
- 23.04 If yes, give full and complete information relating thereto:
- Yes[] No[X]

| 1 Old Custodian | 2 New Custodian | 3 Date of Change | 4 Reason |
|--------------------|--------------------|---------------------|-------------|
| | | | |

- 23.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1 Central Registration Depository Number(s) | 2 Name | 3 Address |
|---|--------------------------|--|
| 108718 | Martin and Company | Two Centre Square, Suite 200 |
| ..... | ..... | 625 S. Gay St., Knoxville, TN 37902-1669 |

- 24.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])?
- 24.2 If yes, complete the following schedule:
- Yes[] No[X]

| 1 CUSIP # | 2 Name of Mutual Fund | 3 Book/Adjusted Carrying Value |
|---------------------|--------------------------|--------------------------------------|
| 24.2999 Total | | |

- 24.3 For each mutual fund listed in the table above, complete the following schedule:

| 1 Name of Mutual Fund (from above table) | 2 Name of Significant Holding of the Mutual Fund | 3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding | 4 Date of Valuation |
|--|---|--|-------------------------------|
| | | | |

GENERAL INTERROGATORIES (Continued)

OTHER

25.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any?

25.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

\$ 132,611

| 1 Name | 2 Amount Paid |
|-------------------------|------------------|
| William M. Mercer | 132,611 |

26.1 Amount of payments for legal expenses, if any?

26.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

\$ 184,733

| 1 Name | 2 Amount Paid |
|----------------------------------|------------------|
| Wagner, Myers & Sanger, PC | 133,903 |

27.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any?

27.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

\$ 25,271

| 1 Name | 2 Amount Paid |
|-------------------------------------|------------------|
| McMahan, Mckenzie, & Winstead | 25,271 |

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes[] No[X]
- 1.2 If yes, indicate premium earned on U.S. business only:

\$
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$
- 1.31 Reason for excluding:
- 1.4 Indicate amount of premium earned attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$
- 1.6 Individual policies - Most current three years:
- 1.61 Total premium earned

\$
- 1.62 Total incurred claims

\$
- 1.63 Number of covered lives

\$
- All years prior to most current three years:
- 1.64 Total premium earned

\$
- 1.65 Total incurred claims

\$
- 1.66 Number of covered lives

\$
- 1.7 Group policies - Most current three years:
- 1.71 Total premium earned

\$
- 1.72 Total incurred claims

\$
- 1.73 Number of covered lives

\$
- All years prior to most current three years:
- 1.74 Total premium earned

\$
- 1.75 Total incurred claims

\$
- 1.76 Number of covered lives

\$

2. Health Test

| | | 1 | 2 |
|-----|---------------------------------|--------------|-------------|
| | | Current Year | Prior Year |
| 2.1 | Premium Numerator | 195,632 | 109,964,306 |
| 2.2 | Premium Denominator | 195,632 | 109,964,306 |
| 2.3 | Premium Ratio (2.1 / 2.2) | 1.000 | 1.000 |
| 2.4 | Reserve Numerator | 1,421,510 | 3,116,777 |
| 2.5 | Reserve Denominator | 1,421,510 | 3,116,777 |
| 2.6 | Reserve Ratio (2.4 / 2.5) | 1.000 | 1.000 |

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes[] No[X]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency?

Yes[X] No[]
- 4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes[] No[X]
- 5.1 Does the reporting entity have stop-loss reinsurance?

Yes[] No[X]
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions):
- 5.31 Comprehensive Medical

\$
- 5.32 Medical Only

\$
- 5.33 Medicare Supplement

\$
- 5.34 Dental

\$
- 5.35 Other Limited Benefit Plan

\$
- 5.36 Other

\$
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
- 7.1 Does the reporting entity set up its claim liability for provider services on a service data base?

Yes[X] No[]
- 7.2 If no, give details:
8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year

4257
- 8.2 Number of providers at end of reporting year

4570
- 9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes[] No[X]
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months

0
- 9.22 Business with rate guarantees over 36 months

0

GENERAL INTERROGATORIES (continued)
PART 2 - HEALTH INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes[] No[X]

10.2 If yes:

10.21 Maximum amount payable bonuses

\$

10.22 Amount actually paid for year bonuses

\$

10.23 Maximum amount payable withholds

\$

10.24 Amount actually paid for year withholds

\$

11.1 Is the reporting entity organized as:

11.12 A medical Group/Staff Model,

Yes[] No[X]

11.13 An Individual Practice Association (IPA), or,

Yes[] No[X]

11.14 A Mixed Model (combination of above)?

Yes[] No[X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes[X] No[]

11.3 If yes, show the name of the state requiring such net worth.

Tennessee

11.4 If yes, show the amount required.

\$ 7,694,827

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes[] No[X]

11.6 If the amount is calculated, show the calculation.

Based on total premium of \$262,988,477.24 (\$150,000,000 x 4.00% = \$6,000,000 plus \$112,988,477.24 x 1.50% = \$1,694,827.16)

12. List service areas in which the reporting entity is licensed to operate:

| 1 |
|---------------------------|
| Name of Service Area |
| Hamilton CSA |
| East TN CSA |
| Southeast CSA |
| Knox CSA |
| First Tennessee CSA |

FIVE-YEAR HISTORICAL DATA

| | 1 2003 | 2 2002 | 3 2001 | 4 2000 | 5 1999 |
|--|------------|-------------|-------------|-------------|-------------|
| BALANCE SHEET ITEMS (Pages 2 and 3) | | | | | |
| 1. Total admitted assets (Page 2, Line 26) | 60,163,035 | 77,801,546 | 90,186,766 | 73,557,852 | 48,428,943 |
| 2. Total liabilities (Page 3, Line 22) | 37,883,458 | 62,390,090 | 71,904,218 | 61,261,570 | 38,793,753 |
| 3. Statutory surplus | 7,694,827 | 7,051,698 | 6,821,720 | 6,084,083 | 5,156,263 |
| 4. Total capital and surplus (Page 3, Line 30) | 22,279,577 | 17,929,640 | 18,282,548 | 12,296,282 | 9,635,190 |
| INCOME STATEMENT ITEMS (Page 4) | | | | | |
| 5. Total revenues (Line 8) | 1,444,871 | 109,977,814 | 206,607,052 | 155,928,088 | 128,988,192 |
| 6. Total medical and hospital expenses (Line 18) | 549,176 | 84,622,772 | 188,217,010 | 143,043,923 | 117,230,332 |
| 7. Total administrative expenses (Line 21) | | 25,094,419 | 19,930,506 | 13,399,441 | 17,336,960 |
| 8. Net underwriting gain (loss) (Line 24) | 895,695 | (5,012,557) | (6,876,106) | (6,347,020) | (5,579,100) |
| 9. Net investment gain (loss) (Line 27) | 3,614,841 | 4,659,647 | 4,802,118 | 4,093,226 | 2,745,538 |
| 10. Total other income (Lines 28 plus 29) | | | | | |
| 11. Net income or (loss) (Line 32) | 4,510,536 | (352,910) | (2,073,988) | (2,253,794) | (2,833,562) |
| RISK-BASED CAPITAL ANALYSIS | | | | | |
| 12. Total adjusted capital | 22,279,577 | 17,929,640 | 18,282,548 | 12,296,282 | 9,635,190 |
| 13. Authorized control level risk-based capital | 767,737 | 4,409,803 | 8,998,561 | 7,165,587 | 3,057,952 |
| ENROLLMENT (Exhibit 2) | | | | | |
| 14. Total members at end of period (Column 5, Line 7) | 131,008 | 131,280 | 117,787 | 97,816 | 81,247 |
| 15. Total members months (Column 6, Line 7) | 1,576,120 | 1,411,276 | 1,314,549 | 1,079,839 | 967,006 |
| OPERATING PERCENTAGE (Page 4) | | | | | |
| (Item divided by Page 4, sum of Lines 2, 3 and 5) | | | | | |
| 16. Premiums earned (Lines 2 plus 3) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 17. Total hospital and medical (Line 18) | 280.7 | 77.0 | 91.9 | 91.9 | 90.9 |
| 18. Total underwriting deductions (Line 23) | 280.7 | 104.6 | 104.2 | 104.3 | 104.4 |
| 19. Total underwriting gain (loss) (Line 24) | 457.8 | (4.6) | (3.4) | (4.1) | (4.3) |
| UNPAID CLAIMS ANALYSIS | | | | | |
| (U&I Exhibit, Part 2B) | | | | | |
| 20. Total claims incurred for prior years (Line 12, Col. 5) | 3,665,953 | 18,765,463 | 18,207,081 | 20,191,866 | 16,864,529 |
| 21. Estimated liability of unpaid claims-[prior year (Line 12, Col. 6)] .. | 3,116,777 | 30,879,480 | 27,962,312 | 10,756,759 | 30,593,913 |
| INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES | | | | | |
| 22. Affiliated bonds (Sch. D Summary, Line 25, Col. 1) | | | | | |
| 23. Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1) | | | | | |
| 24. Affiliated common stocks (Sch. D Summary, Line 53, Col. 2) | | | | | |
| 25. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11) | | | | | |
| 26. Affiliated mortgage loans on real estate | | | | | |
| 27. All other affiliated | | | | | |
| 28. Total of above Lines 22 to 27 | | | | | |



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION: 2. DIVISION:

NAIC Group Code 1253

BUSINESS IN THE STATE OF **GRAND TOTAL** DURING THE YEAR

NAIC Company Code 95749

| | 1 | Comprehensive (Hospital & Medical) | | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|--|-----------|------------------------------------|-------|---------------------|-------------|-------------|---------------------------------------|----------------------|--------------------|-----------|-------------------|----------------|-------|
| | | 2 | 3 | | | | | | | | | | |
| | Total | Individual | Group | Medicare Supplement | Vision Only | Dental Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Stop Loss | Disability Income | Long-Term Care | Other |
| Total Members at end of: | | | | | | | | | | | | | |
| 1. Prior Year | 131,280 | | | | | | | | 131,280 | | | | |
| 2. First Quarter | 135,986 | | | | | | | | 135,986 | | | | |
| 3. Second Quarter | 129,087 | | | | | | | | 129,087 | | | | |
| 4. Third Quarter | 132,330 | | | | | | | | 132,330 | | | | |
| 5. Current Year | 131,008 | | | | | | | | 131,008 | | | | |
| 6. Current Year Member Months | 1,576,120 | | | | | | | | 1,576,120 | | | | |
| Total Member Ambulatory Encounters for Year: | | | | | | | | | | | | | |
| 7. Physician | 1,072,733 | | | | | | | | 1,072,733 | | | | |
| 8. Non-Physician | 493,295 | | | | | | | | 493,295 | | | | |
| 9. Total | 1,566,028 | | | | | | | | 1,566,028 | | | | |
| 10. Hospital Patient Days Incurred | 45,253 | | | | | | | | 45,253 | | | | |
| 11. Number of Inpatient Admissions | 11,970 | | | | | | | | 11,970 | | | | |
| 12. Health Premiums Collected | 2,713,815 | | | | | | | | 2,713,815 | | | | |
| 13. Life Premiums Direct | | | | | | | | | | | | | |
| 14. Property/Casualty Premiums Written | | | | | | | | | | | | | |
| 15. Health Premiums Earned | 195,632 | | | | | | | | 195,632 | | | | |
| 16. Property/Casualty Premiums Earned | | | | | | | | | | | | | |
| 17. Amount Paid for Provision of Health Care Services | 2,244,443 | | | | | | | | 2,244,443 | | | | |
| 18. Amount of Incurred for Provision of Health Care Services | 549,176 | | | | | | | | 549,176 | | | | |

35 Grand Total

(a) For health business: number of persons insured under PPO managed care products and number of persons insured under indemnity only products



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION: 2. DIVISION:

NAIC Group Code 1253

BUSINESS IN THE STATE OF **TENNESSEE** DURING THE YEAR

NAIC Company Code 95749

| | 1 | Comprehensive (Hospital & Medical) | | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|--|-----------|------------------------------------|-------|---------------------|-------------|-------------|---------------------------------------|----------------------|--------------------|-----------|-------------------|----------------|-------|
| | | 2 | 3 | | | | | | | | | | |
| | Total | Individual | Group | Medicare Supplement | Vision Only | Dental Only | Federal Employees Health Benefit Plan | Title XVIII Medicare | Title XIX Medicaid | Stop Loss | Disability Income | Long-Term Care | Other |
| Total Members at end of: | | | | | | | | | | | | | |
| 1. Prior Year | 131,280 | | | | | | | | 131,280 | | | | |
| 2. First Quarter | 135,986 | | | | | | | | 135,986 | | | | |
| 3. Second Quarter | 129,087 | | | | | | | | 129,087 | | | | |
| 4. Third Quarter | 132,330 | | | | | | | | 132,330 | | | | |
| 5. Current Year | 131,008 | | | | | | | | 131,008 | | | | |
| 6. Current Year Member Months | 1,576,120 | | | | | | | | 1,576,120 | | | | |
| Total Member Ambulatory Encounters for Year: | | | | | | | | | | | | | |
| 7. Physician | 1,072,733 | | | | | | | | 1,072,733 | | | | |
| 8. Non-Physician | 493,295 | | | | | | | | 493,295 | | | | |
| 9. Total | 1,566,028 | | | | | | | | 1,566,028 | | | | |
| 10. Hospital Patient Days Incurred | 45,253 | | | | | | | | 45,253 | | | | |
| 11. Number of Inpatient Admissions | 11,970 | | | | | | | | 11,970 | | | | |
| 12. Health Premiums Collected | 2,713,815 | | | | | | | | 2,713,815 | | | | |
| 13. Life Premiums Direct | | | | | | | | | | | | | |
| 14. Property/Casualty Premiums Written | | | | | | | | | | | | | |
| 15. Health Premiums Earned | 195,632 | | | | | | | | 195,632 | | | | |
| 16. Property/Casualty Premiums Earned | | | | | | | | | | | | | |
| 17. Amount Paid for Provision of Health Care Services | 2,244,443 | | | | | | | | 2,244,443 | | | | |
| 18. Amount of Incurred for Provision of Health Care Services | 549,176 | | | | | | | | 549,176 | | | | |

(a) For health business: number of persons insured under PPO managed care products and number of persons insured under indemnity only products

SCHEDULE A - VERIFICATION BETWEEN YEARS

| | | |
|-----|---|--|
| 1. | Book/adjusted carrying value, December 31, prior year (prior year statement) | |
| 2. | Increase (decrease) by adjustment: | |
| 2.1 | Totals, Part 1, Column 10 | |
| 2.2 | Totals, Part 3, Column 7 | |
| 3. | Cost of acquired, (Totals, Part 2, Column 6, net of encumbrances (Column 7) and net of additions and permanent improvements (Column 9)) | |
| 4. | Cost of additions and permanent improvements: | |
| 4.1 | Totals, Part 1, Column 13 | |
| 4.2 | Totals, Part 3, Column 9 | |
| 5. | Total profit (loss) on sales, Part 3, Column 14 | |
| 6. | Increase (decrease) by foreign exchange adjustment | |
| 6.1 | Totals, Part 1, Column 11 | |
| 6.2 | Totals, Part 3, Column 8 | |
| 7. | Amounts received on sales, Part 3, Column 11 and Part 1, Column 12 | |
| 8. | Book/adjusted carrying value at the end of current period | |
| 9. | Total valuation allowance | |
| 10. | Subtotal (Lines 8 plus 9) | |
| 11. | Total nonadmitted amounts | |
| 12. | Statement value, current period (Page 2, real estate lines, current period) | |

NONE

SCHEDULE B - VERIFICATION BETWEEN YEARS

| | | |
|-----|---|--|
| 1. | Book value/recorded investment excluding accrued interest of mortgages owned, December 31 of prior year | |
| 2. | Amount loaned during year: | |
| 2.1 | Actual cost at time of acquisitions | |
| 2.2 | Additional investment made after acquisitions | |
| 3. | Accrual of discount and mortgage interest points and commitment fees | |
| 4. | Increase (decrease) by adjustment | |
| 5. | Total profit (loss) on sale | |
| 6. | Amounts paid on account or in full during the year | |
| 7. | Amortization of premium | |
| 8. | Increase (decrease) by foreign exchange adjustment | |
| 9. | Book value/recorded investment excluding accrued interest on mortgages owned at end of current period | |
| 10. | Total valuation allowance | |
| 11. | Subtotal (Lines 9 plus 10) | |
| 12. | Total nonadmitted amounts | |
| 13. | Statement value of mortgages owned at end of current period | |

NONE

SCHEDULE BA - VERIFICATION BETWEEN YEARS

| | | |
|-----|--|--|
| 1. | Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year | |
| 2. | Cost of acquisitions during year: | |
| 2.1 | Actual cost at time of acquisitions | |
| 2.2 | Additional investment made after acquisitions | |
| 3. | Accrual of discount | |
| 4. | Increase (decrease) by adjustment | |
| 5. | Total profit (loss) on sale | |
| 6. | Amounts paid on account or in full during the year | |
| 7. | Amortization of premium | |
| 8. | Increase (decrease) by foreign exchange adjustment | |
| 9. | Book/adjusted carrying value of long-term invested assets at end of current period | |
| 10. | Total valuation allowance | |
| 11. | Subtotal (Lines 9 plus 10) | |
| 12. | Total nonadmitted amounts | |
| 13. | Statement value of long-term invested assets at end of current period | |

NONE

SCHEDULE D - SUMMARY BY COUNTRY
Long-term Bonds and Stocks OWNED December 31 of Current Year

| Description | | | 1 Book/Adjusted Carrying Value | 2 Fair Value (a) | 3 Actual Cost | 4 Par Value of Bonds |
|--|-----|------------------------------|--------------------------------------|------------------------|------------------|----------------------------|
| BONDS Governments (Including all obligations guaranteed by governments) | 1. | United States | 31,400,216 | 32,056,932 | 31,767,735 | 31,025,068 |
| | 2. | Canada | | | | |
| | 3. | Other Countries | | | | |
| | 4. | Totals | 31,400,216 | 32,056,932 | 31,767,735 | 31,025,068 |
| States, Territories and Possessions (Direct and Guaranteed) | 5. | United States | | | | |
| | 6. | Canada | | | | |
| | 7. | Other Countries | | | | |
| | 8. | Totals | | | | |
| Political Subdivisions of States, Territories and Possessions (Direct and Guaranteed) | 9. | United States | | | | |
| | 10. | Canada | | | | |
| | 11. | Other Countries | | | | |
| | 12. | Totals | | | | |
| Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions | 13. | United States | | | | |
| | 14. | Canada | | | | |
| | 15. | Other Countries | | | | |
| | 16. | Totals | | | | |
| Public Utilities (unaffiliated) | 17. | United States | | | | |
| | 18. | Canada | | | | |
| | 19. | Other Countries | | | | |
| | 20. | Totals | | | | |
| Industrial and Miscellaneous and Credit Tenant Loans (unaffiliated) | 21. | United States | 16,251,516 | 16,931,418 | 16,425,198 | 15,740,000 |
| | 22. | Canada | | | | |
| | 23. | Other Countries | | | | |
| | 24. | Totals | 16,251,516 | 16,931,418 | 16,425,198 | 15,740,000 |
| Parent, Subsidiaries and Affiliates | 25. | Totals | | | | |
| | 26. | Total Bonds | 47,651,732 | 48,988,350 | 48,192,933 | 46,765,068 |
| PREFERRED STOCKS Public Utilities (unaffiliated) | 27. | United States | | | | |
| | 28. | Canada | | | | |
| | 29. | Other Countries | | | | |
| | 30. | Totals | | | | |
| Banks, Trust and Insurance Companies (unaffiliated) | 31. | United States | | | | |
| | 32. | Canada | | | | |
| | 33. | Other Countries | | | | |
| | 34. | Totals | | | | |
| Industrial and Miscellaneous (unaffiliated) | 35. | United States | | | | |
| | 36. | Canada | | | | |
| | 37. | Other Countries | | | | |
| | 38. | Totals | | | | |
| Parent, Subsidiaries and Affiliates | 39. | Totals | | | | |
| | 40. | Total Preferred Stocks | | | | |
| COMMON STOCKS Public Utilities (unaffiliated) | 41. | United States | | | | |
| | 42. | Canada | | | | |
| | 43. | Other Countries | | | | |
| | 44. | Totals | | | | |
| Banks, Trust and Insurance Companies (unaffiliated) | 45. | United States | | | | |
| | 46. | Canada | | | | |
| | 47. | Other Countries | | | | |
| | 48. | Totals | | | | |
| Industrial and Miscellaneous (unaffiliated) | 49. | United States | | | | |
| | 50. | Canada | | | | |
| | 51. | Other Countries | | | | |
| | 52. | Totals | | | | |
| Parent, Subsidiaries and Affiliates | 53. | Totals | | | | |
| | 54. | Total Common Stocks | | | | |
| | 55. | Total Stocks | | | | |
| | 56. | Total Bonds and Stocks | 47,651,732 | 48,988,350 | 48,192,933 | |

(a) The aggregate value of bonds which are valued at other than actual fair value is \$.....

SCHEDULE D - Verification Between Years

| | | | |
|--|-------------------|---|-------------------|
| 1. Book/adjusted carrying value of bonds and stocks, prior year. | <u>70,496,838</u> | 6. Foreign Exchange Adjustment | |
| 2. Cost of bonds and stocks acquired, Column 6, Part 3..... | <u>22,945,277</u> | 6.1 Column 17, Part 1..... | |
| 3. Increase (decrease) by adjustment: | | 6.2 Column 13, Part 2, Section 1..... | |
| 3.1 Column 16, Part 1..... | <u>(324,924)</u> | 6.3 Column 11, Part 2, Section 2..... | |
| 3.2 Column 12, Part 2, Section 1..... | | 6.4 Column 11, Part 4..... | |
| 3.3 Column 10, Part 2, Section 2..... | | | |
| 3.4 Column 10, Part 4..... | <u>(109,358)</u> | 7. Book/adjusted carrying value at end of current period..... | <u>47,651,742</u> |
| 4. Total gain (loss), Column 14, Part 4..... | <u>611,584</u> | 8. Total valuation allowance..... | |
| 5. Deduct consideration for bonds and stocks disposed of | | 9. Subtotal (Lines 7 plus 8)..... | <u>47,651,742</u> |
| Column 6, Part 4..... | <u>45,967,675</u> | 10. Total nonadmitted assets..... | |
| | | 11. Statement value of bonds and stocks, current period..... | <u>47,651,742</u> |

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

| Quality Rating Per the NAIC Designation | | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Column 6 as a % of Line 10.7 | 8 Total From Column 6 Prior Year | 9 % From Column 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed (a) |
|--|---|---------------------------|--|--|---|---------------------------|--------------------------------|---|---|---------------------------------------|-----------------------------------|--|
| 1. | U.S. Government, Schedules D & DA (Group 1) | | | | | | | | | | | |
| 1.1 | Class 1 | 6,916,183 | 16,458,496 | 7,025,537 | | | 30,400,216 | 63.80 | 56,878,072 | 80.68 | 30,400,216 | |
| 1.2 | Class 2 | | | | | | | | | | | |
| 1.3 | Class 3 | | | | | | | | | | | |
| 1.4 | Class 4 | | | | | | | | | | | |
| 1.5 | Class 5 | | | | | | | | | | | |
| 1.6 | Class 6 | | | | | | | | | | | |
| 1.7 | TOTALS | 6,916,183 | 16,458,496 | 7,025,537 | | | 30,400,216 | 63.80 | 56,878,072 | 80.68 | 30,400,216 | |
| 2. | All Other Governments, Schedules D & DA (Group 2) | | | | | | | | | | | |
| 2.1 | Class 1 | | | | | | | | | | | |
| 2.2 | Class 2 | | | 1,000,000 | | | 1,000,000 | 2.10 | | | 1,000,000 | |
| 2.3 | Class 3 | | | | | | | | | | | |
| 2.4 | Class 4 | | | | | | | | | | | |
| 2.5 | Class 5 | | | | | | | | | | | |
| 2.6 | Class 6 | | | | | | | | | | | |
| 2.7 | TOTALS | | | 1,000,000 | | | 1,000,000 | 2.10 | | | 1,000,000 | |
| 3. | States, Territories and Possessions etc., Guaranteed, Schedules D & DA (Group 3) | | | | | | | | | | | |
| 3.1 | Class 1 | | | | | | | | | | | |
| 3.2 | Class 2 | | | | | | | | | | | |
| 3.3 | Class 3 | | | | | | | | | | | |
| 3.4 | Class 4 | | | | | | | | | | | |
| 3.5 | Class 5 | | | | | | | | | | | |
| 3.6 | Class 6 | | | | | | | | | | | |
| 3.7 | TOTALS | | | | | | | | | | | |
| 4. | Political Subdivisions of States, Territories & Possessions, Guaranteed, Schedules D & DA (Group 4) | | | | | | | | | | | |
| 4.1 | Class 1 | | | | | | | | | | | |
| 4.2 | Class 2 | | | | | | | | | | | |
| 4.3 | Class 3 | | | | | | | | | | | |
| 4.4 | Class 4 | | | | | | | | | | | |
| 4.5 | Class 5 | | | | | | | | | | | |
| 4.6 | Class 6 | | | | | | | | | | | |
| 4.7 | TOTALS | | | | | | | | | | | |
| 5. | Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, Schedules D & DA (Group 5) | | | | | | | | | | | |
| 5.1 | Class 1 | | | | | | | | | | | |
| 5.2 | Class 2 | | | | | | | | | | | |
| 5.3 | Class 3 | | | | | | | | | | | |
| 5.4 | Class 4 | | | | | | | | | | | |
| 5.5 | Class 5 | | | | | | | | | | | |
| 5.6 | Class 6 | | | | | | | | | | | |
| 5.7 | TOTALS | | | | | | | | | | | |

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values by Major Types of Issues and NAIC Designations

| Quality Rating Per the NAIC Designation | | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Column 6 as a % of Line 10.7 | 8 Total From Column 6 Prior Year | 9 % From Column 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed (a) |
|--|---|---------------------------|--|--|---|-----------------------|----------------------------|---|---|---------------------------------------|-----------------------------------|--|
| 6. | Public Utilities (Unaffiliated), Schedules D & DA (Group 6) | | | | | | | | | | | |
| 6.1 | Class 1 | | | | | | | | | | | |
| 6.2 | Class 2 | | | | | | | | | | | |
| 6.3 | Class 3 | | | | | | | | | | | |
| 6.4 | Class 4 | | | | | | | | | | | |
| 6.5 | Class 5 | | | | | | | | | | | |
| 6.6 | Class 6 | | | | | | | | | | | |
| 6.7 | TOTALS | | | | | | | | | | | |
| 7. | Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7) | | | | | | | | | | | |
| 7.1 | Class 1 | 3,023,169 | 4,388,688 | 5,767,384 | | | 13,179,241 | 27.66 | 10,037,845 | 14.24 | 13,179,241 | |
| 7.2 | Class 2 | 1,499,413 | | 1,572,862 | | | 3,072,275 | 6.45 | 3,580,921 | 5.08 | 3,072,275 | |
| 7.3 | Class 3 | | | | | | | | | | | |
| 7.4 | Class 4 | | | | | | | | | | | |
| 7.5 | Class 5 | | | | | | | | | | | |
| 7.6 | Class 6 | | | | | | | | | | | |
| 7.7 | TOTALS | 4,522,582 | 4,388,688 | 7,340,246 | | | 16,251,516 | 34.10 | 13,618,766 | 19.32 | 16,251,516 | |
| 8. | Credit Tenant Loans, Schedules D & DA (Group 8) | | | | | | | | | | | |
| 8.1 | Class 1 | | | | | | | | | | | |
| 8.2 | Class 2 | | | | | | | | | | | |
| 8.3 | Class 3 | | | | | | | | | | | |
| 8.4 | Class 4 | | | | | | | | | | | |
| 8.5 | Class 5 | | | | | | | | | | | |
| 8.6 | Class 6 | | | | | | | | | | | |
| 8.7 | TOTALS | | | | | | | | | | | |
| 9. | Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9) | | | | | | | | | | | |
| 9.1 | Class 1 | | | | | | | | | | | |
| 9.2 | Class 2 | | | | | | | | | | | |
| 9.3 | Class 3 | | | | | | | | | | | |
| 9.4 | Class 4 | | | | | | | | | | | |
| 9.5 | Class 5 | | | | | | | | | | | |
| 9.6 | Class 6 | | | | | | | | | | | |
| 9.7 | TOTALS | | | | | | | | | | | |

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, at Book/Adjusted Carrying Values By Major Types of Issues and NAIC Designations

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|--|----------------------|-----------------------------------|-------------------------------------|--------------------------------------|------------------|-----------------------|------------------------------------|--------------------------------------|----------------------------------|-----------------------------|----------------------------------|
| Quality Rating Per the NAIC Designation | 1 Year or Less | Over 1 Year Through 5 Years | Over 5 Years Through 10 Years | Over 10 Years Through 20 Years | Over 20 Years | Total Current Year | Column 6 as a % of Line 10.7 | Total From Column 6 Prior Year | % From Column 7 Prior Year | Total Publicly Traded | Total Privately Placed (a) |
| 10. Total Bonds Current Year | | | | | | | | | | | |
| 10.1 Class 1 | 9,939,352 | 20,847,184 | 12,792,921 | | | 43,579,457 | 91.45 | X X X | X X X | 43,579,457 | |
| 10.2 Class 2 | 1,499,413 | | 2,572,862 | | | 4,072,275 | 8.55 | X X X | X X X | 4,072,275 | |
| 10.3 Class 3 | | | | | | | | X X X | X X X | | |
| 10.4 Class 4 | | | | | | | | X X X | X X X | | |
| 10.5 Class 5 | | | | | | (c) | | X X X | X X X | | |
| 10.6 Class 6 | | | | | | (c) | | X X X | X X X | | |
| 10.7 TOTALS | 11,438,765 | 20,847,184 | 15,365,783 | | | (b) 47,651,732 | 100.00 | X X X | X X X | 47,651,732 | |
| 10.8 Line 10.7 as a % of Column 6 | 24.00 | 43.75 | 32.25 | | | 100.00 | X X X | X X X | X X X | 100.00 | |
| 11. Total Bonds Prior Year | | | | | | | | | | | |
| 11.1 Class 1 | 10,474,522 | 40,959,965 | 15,481,430 | | | X X X | X X X | 66,915,917 | 94.92 | 66,915,750 | |
| 11.2 Class 2 | | 1,997,650 | 1,583,271 | | | X X X | X X X | 3,580,921 | 5.08 | 3,580,921 | |
| 11.3 Class 3 | | | | | | X X X | X X X | | | | |
| 11.4 Class 4 | | | | | | X X X | X X X | | | | |
| 11.5 Class 5 | | | | | | X X X | X X X | (c) | | | |
| 11.6 Class 6 | | | | | | X X X | X X X | (c) | | | |
| 11.7 TOTALS | 10,474,522 | 42,957,615 | 17,064,701 | | | X X X | X X X | (b) 70,496,838 | 100.00 | 70,496,671 | |
| 11.8 Line 11.7 as a % of Col. 8 | 14.86 | 60.94 | 24.21 | | | X X X | X X X | 100.00 | X X X | 100.00 | |
| 12. Total Publicly Traded Bonds | | | | | | | | | | | |
| 12.1 Class 1 | 9,939,352 | 20,847,184 | 12,792,921 | | | 43,579,457 | 91.45 | 66,915,750 | 94.92 | 43,579,457 | X X X |
| 12.2 Class 2 | 1,499,413 | | 2,572,862 | | | 4,072,275 | 8.55 | 3,580,921 | 5.08 | 4,072,275 | X X X |
| 12.3 Class 3 | | | | | | | | | | | X X X |
| 12.4 Class 4 | | | | | | | | | | | X X X |
| 12.5 Class 5 | | | | | | | | | | | X X X |
| 12.6 Class 6 | | | | | | | | | | | X X X |
| 12.7 TOTALS | 11,438,765 | 20,847,184 | 15,365,783 | | | 47,651,732 | 100.00 | 70,496,671 | 100.00 | 47,651,732 | X X X |
| 12.8 Line 12.7 as a % of Col. 6 | 24.00 | 43.75 | 32.25 | | | 100.00 | X X X | X X X | X X X | 100.00 | X X X |
| 12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10 | 24.00 | 43.75 | 32.25 | | | 100.00 | X X X | X X X | X X X | 100.00 | X X X |
| 13. Total Privately Placed Bonds | | | | | | | | | | | |
| 13.1 Class 1 | | | | | | | | | | X X X | |
| 13.2 Class 2 | | | | | | | | | | X X X | |
| 13.3 Class 3 | | | | | | | | | | X X X | |
| 13.4 Class 4 | | | | | | | | | | X X X | |
| 13.5 Class 5 | | | | | | | | | | X X X | |
| 13.6 Class 6 | | | | | | | | | | X X X | |
| 13.7 TOTALS | | | | | | | | | | X X X | |
| 13.8 Line 13.7 as a % of Col. 6 | | | | | | | X X X | X X X | X X X | X X X | |
| 13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10 | | | | | | | X X X | X X X | X X X | X X X | |

(a) Includes \$..... freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.
(b) Includes \$..... current year, \$..... prior year of bonds with Z designations and \$..... current year, \$..... prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class is under regulatory review.
(c) Includes \$..... current year, \$..... prior year of bonds with 5* designations and \$..... current year, \$..... prior year of bonds with 6* designations. "5*" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Types of and subtype of Issues

| Distribution by Type | | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Column 6 as a % of Line 10.7 | 8 Total From Column 6 Prior Year | 9 % From Column 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed |
|----------------------|---|---------------------------|--|--|---|---------------------------|--------------------------------|---|---|---------------------------------------|-----------------------------------|------------------------------------|
| 1. | U.S. Governments, Schedules D & DA (Group 1) | | | | | | | | | | | |
| 1.1 | Issuer Obligations | 6,916,183 | 16,458,496 | 7,025,537 | | | 30,400,216 | 63.80 | 56,878,072 | 80.68 | 30,400,216 | |
| 1.2 | Single Class Mortgage-Backed/Asset-Backed Bonds | | | | | | | | | | | |
| 1.7 | TOTALS | 6,916,183 | 16,458,496 | 7,025,537 | | | 30,400,216 | 63.80 | 56,878,072 | 80.68 | 30,400,216 | |
| 2. | All Other Governments, Schedules D & DA (Group 2) | | | | | | | | | | | |
| 2.1 | Issuer Obligations | | | 1,000,000 | | | 1,000,000 | 2.10 | | | 1,000,000 | |
| 2.2 | Single Class Mortgage-Backed/Asset-Backed Bonds | | | | | | | | | | | |
| | MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES: | | | | | | | | | | | |
| 2.3 | Defined | | | | | | | | | | | |
| 2.4 | Other | | | | | | | | | | | |
| | MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES: | | | | | | | | | | | |
| 2.5 | Defined | | | | | | | | | | | |
| 2.6 | Other | | | | | | | | | | | |
| 2.7 | TOTALS | | | 1,000,000 | | | 1,000,000 | 2.10 | | | 1,000,000 | |
| 3. | States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 3) | | | | | | | | | | | |
| 3.1 | Issuer Obligations | | | | | | | | | | | |
| 3.2 | Single Class Mortgage-Backed/Asset-Backed Bonds | | | | | | | | | | | |
| | MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES: | | | | | | | | | | | |
| 3.3 | Defined | | | | | | | | | | | |
| 3.4 | Other | | | | | | | | | | | |
| | MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES: | | | | | | | | | | | |
| 3.5 | Defined | | | | | | | | | | | |
| 3.6 | Other | | | | | | | | | | | |
| 3.7 | TOTALS | | | | | | | | | | | |
| 4. | Political Subdivisions of States, Territories & Possessions, Guaranteed, Schedules D & DA (Group 4) | | | | | | | | | | | |
| 4.1 | Issuer Obligations | | | | | | | | | | | |
| 4.2 | Single Class Mortgage-Backed/Asset-Backed Bonds | | | | | | | | | | | |
| | MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES: | | | | | | | | | | | |
| 4.3 | Defined | | | | | | | | | | | |
| 4.4 | Other | | | | | | | | | | | |
| | MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES: | | | | | | | | | | | |
| 4.5 | Defined | | | | | | | | | | | |
| 4.6 | Other | | | | | | | | | | | |
| 4.7 | TOTALS | | | | | | | | | | | |
| 5. | Special Revenue & Special Assessment Obligations etc., Non-Guaranteed, SCH. D & DA (Group 5) | | | | | | | | | | | |
| 5.1 | Issuer Obligations | | | | | | | | | | | |
| 5.2 | Single Class Mortgage-Backed/Asset-Backed Bonds | | | | | | | | | | | |
| | MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES: | | | | | | | | | | | |
| 5.3 | Defined | | | | | | | | | | | |
| 5.4 | Other | | | | | | | | | | | |
| | MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES: | | | | | | | | | | | |
| 5.5 | Defined | | | | | | | | | | | |
| 5.6 | Other | | | | | | | | | | | |
| 5.7 | TOTALS | | | | | | | | | | | |

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Types of and subtype of Issues

| | 1 1 Year or Less | 2 Over 1 Year Through 5 Years | 3 Over 5 Years Through 10 Years | 4 Over 10 Years Through 20 Years | 5 Over 20 Years | 6 Total Current Year | 7 Column 6 as a % of Line 10.7 | 8 Total From Column 6 Prior Year | 9 % From Column 7 Prior Year | 10 Total Publicly Traded | 11 Total Privately Placed |
|--|---------------------------|--|--|---|-----------------------|----------------------------|---|---|---------------------------------------|-----------------------------------|------------------------------------|
| Distribution by Type | | | | | | | | | | | |
| 6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6) | | | | | | | | | | | |
| 6.1 Issuer Obligations | | | | | | | | | | | |
| 6.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | | | | | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES: | | | | | | | | | | | |
| 6.3 Defined | | | | | | | | | | | |
| 6.4 Other | | | | | | | | | | | |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES: | | | | | | | | | | | |
| 6.5 Defined | | | | | | | | | | | |
| 6.6 Other | | | | | | | | | | | |
| 6.7 TOTALS | | | | | | | | | | | |
| 7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7) | | | | | | | | | | | |
| 7.1 Issuer Obligations | 4,522,582 | 4,388,688 | 7,340,246 | | | 16,251,516 | 34.10 | 13,618,766 | 19.32 | 16,251,516 | |
| 7.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | | | | | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES: | | | | | | | | | | | |
| 7.3 Defined | | | | | | | | | | | |
| 7.4 Other | | | | | | | | | | | |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES: | | | | | | | | | | | |
| 7.5 Defined | | | | | | | | | | | |
| 7.6 Other | | | | | | | | | | | |
| 7.7 TOTALS | 4,522,582 | 4,388,688 | 7,340,246 | | | 16,251,516 | 34.10 | 13,618,766 | 19.32 | 16,251,516 | |
| 8. Credit Tenant Loans, Schedules D & DA (Group 8) | | | | | | | | | | | |
| 8.1 Issuer Obligations | | | | | | | | | | | |
| 8.7 TOTALS | | | | | | | | | | | |
| 9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9) | | | | | | | | | | | |
| 9.1 Issuer Obligations | | | | | | | | | | | |
| 9.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | | | | | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES: | | | | | | | | | | | |
| 9.3 Defined | | | | | | | | | | | |
| 9.4 Other | | | | | | | | | | | |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES: | | | | | | | | | | | |
| 9.5 Defined | | | | | | | | | | | |
| 9.6 Other | | | | | | | | | | | |
| 9.7 TOTALS | | | | | | | | | | | |

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values by Major Types of and subtype of Issues

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|--|----------------------|-----------------------------------|-------------------------------------|--------------------------------------|------------------|-----------------------|------------------------------------|--------------------------------------|----------------------------------|-----------------------------|------------------------------|
| Distribution by Type | 1 Year or Less | Over 1 Year Through 5 Years | Over 5 Years Through 10 Years | Over 10 Years Through 20 Years | Over 20 Years | Total Current Year | Column 6 as a % of Line 10.7 | Total From Column 6 Prior Year | % From Column 7 Prior Year | Total Publicly Traded | Total Privately Placed |
| 10. Total Bonds Current Year | | | | | | | | | | | |
| 10.1 Issuer Obligations | 11,438,765 | 20,847,184 | 15,365,783 | ..... | ..... | ..... 47,651,732 | 100.00 | X X X | X X X | 47,651,732 | ..... |
| 10.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | | | X X X | X X X | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES: | | | | | | | | | | | |
| 10.3 Defined | | | | | | | | X X X | X X X | | |
| 10.4 Other | | | | | | | | X X X | X X X | | |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES: | | | | | | | | | | | |
| 10.5 Defined | | | | | | | | X X X | X X X | | |
| 10.6 Other | | | | | | | | X X X | X X X | | |
| 10.7 TOTALS | 11,438,765 | 20,847,184 | 15,365,783 | ..... | ..... | ..... 47,651,732 | 100.00 | X X X | X X X | 47,651,732 | ..... |
| 10.8 Line 10.7 as a % of Column 6 | 24.00 | 43.75 | 32.25 | ..... | ..... | ..... 100.00 | X X X | X X X | X X X | 100.00 | ..... |
| 11. Total Bonds Prior Year | | | | | | | | | | | |
| 11.1 Issuer Obligations | 10,474,522 | 42,957,615 | 17,064,701 | ..... | ..... | ..... X X X | X X X | 70,496,838 | 100.00 | 70,496,671 | ..... |
| 11.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | X X X | X X X | | | | |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES: | | | | | | | | | | | |
| 11.3 Defined | | | | | | X X X | X X X | | | | |
| 11.4 Other | | | | | | X X X | X X X | | | | |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES: | | | | | | | | | | | |
| 11.5 Defined | | | | | | X X X | X X X | | | | |
| 11.6 Other | | | | | | X X X | X X X | | | | |
| 11.7 TOTALS | 10,474,522 | 42,957,615 | 17,064,701 | ..... | ..... | ..... X X X | X X X | 70,496,838 | 100.00 | 70,496,671 | ..... |
| 11.8 Line 11.7 as a % of Column 8 | 14.86 | 60.94 | 24.21 | ..... | ..... | ..... X X X | X X X | 100.00 | X X X | 100.00 | ..... |
| 12. Total Publicly Traded Bonds | | | | | | | | | | | |
| 12.1 Issuer Obligations | 11,438,765 | 20,847,184 | 15,365,783 | ..... | ..... | ..... 47,651,732 | 100.00 | 70,496,671 | 100.00 | 47,651,732 | X X X |
| 12.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | | | | | | X X X |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES: | | | | | | | | | | | |
| 12.3 Defined | | | | | | | | | | | X X X |
| 12.4 Other | | | | | | | | | | | X X X |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES: | | | | | | | | | | | |
| 12.5 Defined | | | | | | | | | | | X X X |
| 12.6 Other | | | | | | | | | | | X X X |
| 12.7 TOTALS | 11,438,765 | 20,847,184 | 15,365,783 | ..... | ..... | ..... 47,651,732 | 100.00 | 70,496,671 | 100.00 | 47,651,732 | X X X |
| 12.8 Line 12.7 as a % of Column 6 | 24.00 | 43.75 | 32.25 | ..... | ..... | ..... 100.00 | X X X | X X X | X X X | 100.00 | X X X |
| 12.9 Line 12.7 as a % of Line 10.7, Column 6, Section 10 | 24.00 | 43.75 | 32.25 | ..... | ..... | ..... 100.00 | X X X | X X X | X X X | 100.00 | X X X |
| 13. Total Privately Placed Bonds | | | | | | | | | | | |
| 13.1 Issuer Obligations | | | | | | | | | | X X X ..... | ..... |
| 13.2 Single Class Mortgage-Backed/Asset-Backed Securities | | | | | | | | | | X X X ..... | ..... |
| MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES: | | | | | | | | | | | |
| 13.3 Defined | | | | | | | | | | X X X ..... | ..... |
| 13.4 Other | | | | | | | | | | X X X ..... | ..... |
| MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ASSET-BACKED SECURITIES: | | | | | | | | | | | |
| 13.5 Defined | | | | | | | | | | X X X ..... | ..... |
| 13.6 Other | | | | | | | | | | X X X ..... | ..... |
| 13.7 TOTALS | | | | | | | | | | X X X ..... | ..... |
| 13.8 Line 13.7 as a % of Column 6 | | | | | | | | X X X | X X X | X X X ..... | ..... |
| 13.9 Line 13.7 as a % of Line 10.7, Column 6, Section 10 | | | | | | | | X X X | X X X | X X X ..... | ..... |

| | | |
|----|---|------|
| 44 | Schedule DA Part 2 - | NONE |
| 45 | Schedule DB Part A Verification - | NONE |
| 45 | Schedule DB Part B Verification - | NONE |
| 46 | Schedule DB Part C Verification - | NONE |
| 46 | Schedule DB Part D Verification - | NONE |
| 46 | Schedule DB Part E Verification - | NONE |
| 47 | Schedule DB Part F Sn 1 - Sum Replicated Assets - | NONE |
| 48 | Schedule DB Part F Sn 2 - Recon Replicated Assets - | NONE |
| 49 | Schedule S - Part 1 - Section 2 - | NONE |
| 50 | Schedule S - Part 2 - | NONE |
| 51 | Schedule S - Part 3 - Section 2 - | NONE |
| 52 | Schedule S - Part 4 - | NONE |
| 53 | Schedule S - Part 5 - | NONE |

SCHEDULE S - PART 6
Restatement of Balance Sheet to Identify Net Credit For Ceded Reinsurance

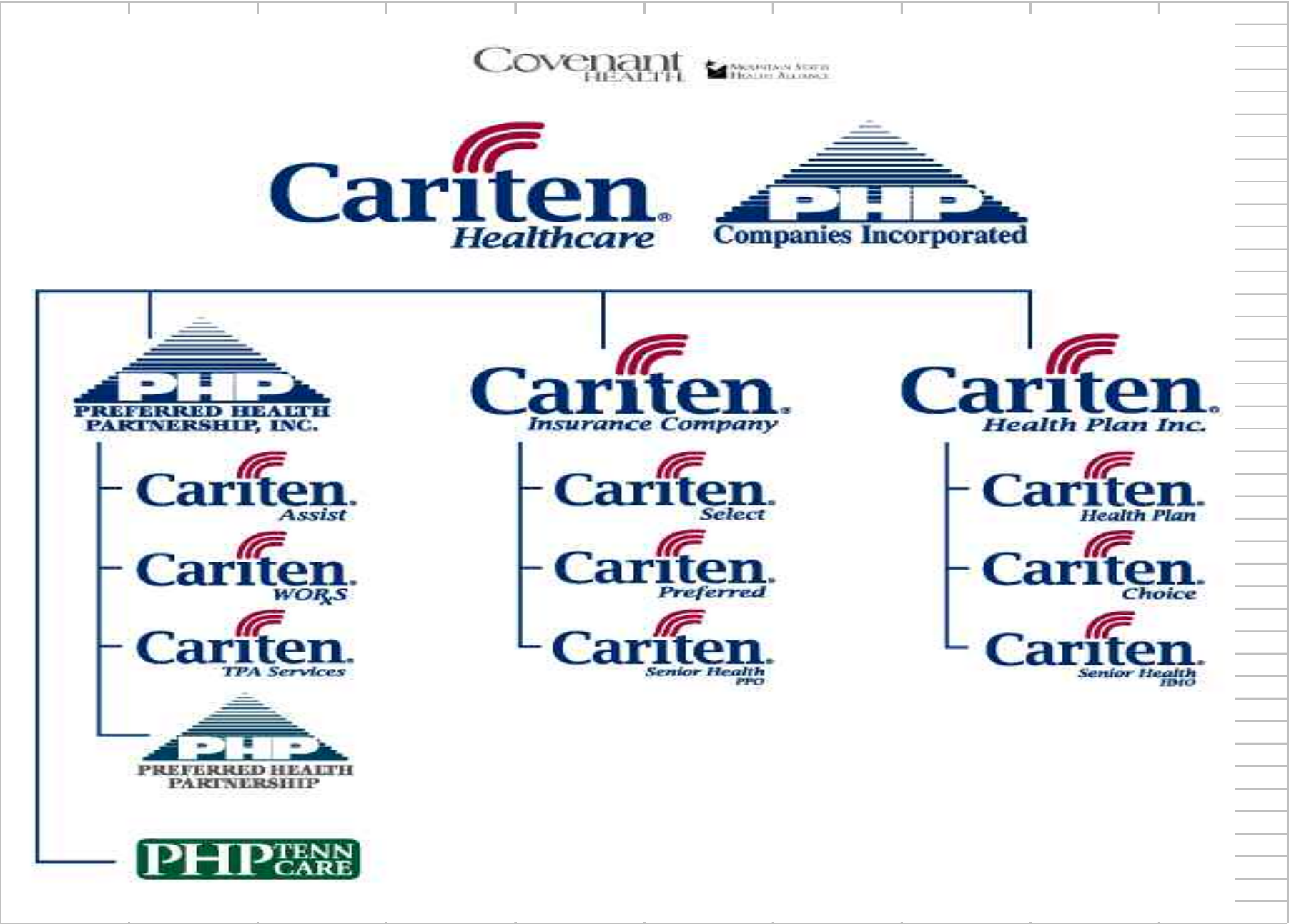
| | 1 | 2 | 3 |
|---|-------------------------------|----------------------------|------------------------------|
| | As Reported (net of ceded) | Restatement Adjustments | Restated (gross of ceded) |
| ASSETS (Page 2, Col. 3) | | | |
| 1. Cash and invested assets (Line 10) | 53,411,147 | | 53,411,147 |
| 2. Accident and health premiums due and unpaid (Line 12) | | | |
| 3. Amounts recoverable from reinsurers (Line 13.1) | | | |
| 4. Net credit for ceded reinsurance | X X X | | |
| 5. All other admitted assets (Balance) | 6,751,888 | | 6,751,888 |
| 6. Total assets (Line 26) | 60,163,035 | | 60,163,035 |
| LIABILITIES, CAPITAL AND SURPLUS (Page 3) | | | |
| 7. Claims unpaid (Line 1) | 1,421,510 | | 1,421,510 |
| 8. Accrued medical incentive pool and bonus payments (Line 2) | | | |
| 9. Premiums received in advance (Line 8) | | | |
| 10. Reinsurance in unauthorized companies (Line 18) | | | |
| 11. All other liabilities (Balance) | 36,461,948 | | 36,461,948 |
| 12. Total liabilities (Line 22) | 37,883,458 | | 37,883,458 |
| 13. Total capital and surplus (Line 30) | 22,279,577 | X X X | 22,279,577 |
| 14. Total liabilities, capital and surplus (Line 31) | 60,163,035 | | 60,163,035 |
| NET CREDIT FOR CEDED REINSURANCE | | | |
| 15. Claims unpaid | | | |
| 16. Accrued medical incentive pool | | | |
| 17. Premiums received in advance | | | |
| 18. Reinsurance recoverable on paid losses | | | |
| 19. Other ceded reinsurance recoverables | | | |
| 20. Total ceded reinsurance recoverables | | | |
| 21. Premiums receivable | | | |
| 22. Unauthorized reinsurance | | | |
| 23. Other ceded reinsurance payables/offsets | | | |
| 24. Total ceded reinsurance payables/offsets | | | |
| 25. Total net credit for ceded reinsurance | | | |

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
Allocated by States and Territories

| | | 1 | 2 | Direct Business Only | | | | | |
|----------------------|--|------------------------------|------------------------------------|----------------------------|----------------------|--------------------|--|---|-----------------------------|
| | | Guaranty Fund (Yes or No) | Is Insurer Licensed (Yes or No) | 3 | 4 | 5 | 6 | 7 | 8 |
| State, Etc. | | | | Accident & Health Premiums | Medicare Title XVIII | Medicaid Title XIX | Federal Employees Health Benefits Program Premiums | Life & Annuity Premiums & Deposit-Type Contract Funds | Property/ Casualty Premiums |
| 1. | Alabama (AL) | No | No | | | | | | |
| 2. | Alaska (AK) | No | No | | | | | | |
| 3. | Arizona (AZ) | No | No | | | | | | |
| 4. | Arkansas (AR) | No | No | | | | | | |
| 5. | California (CA) | No | No | | | | | | |
| 6. | Colorado (CO) | No | No | | | | | | |
| 7. | Connecticut (CT) | No | No | | | | | | |
| 8. | Delaware (DE) | No | No | | | | | | |
| 9. | District of Columbia (DC) | No | No | | | | | | |
| 10. | Florida (FL) | No | No | | | | | | |
| 11. | Georgia (GA) | No | No | | | | | | |
| 12. | Hawaii (HI) | No | No | | | | | | |
| 13. | Idaho (ID) | No | No | | | | | | |
| 14. | Illinois (IL) | No | No | | | | | | |
| 15. | Indiana (IN) | No | No | | | | | | |
| 16. | Iowa (IA) | No | No | | | | | | |
| 17. | Kansas (KS) | No | No | | | | | | |
| 18. | Kentucky (KY) | No | No | | | | | | |
| 19. | Louisiana (LA) | No | No | | | | | | |
| 20. | Maine (ME) | No | No | | | | | | |
| 21. | Maryland (MD) | No | No | | | | | | |
| 22. | Massachusetts (MA) | No | No | | | | | | |
| 23. | Michigan (MI) | No | No | | | | | | |
| 24. | Minnesota (MN) | No | No | | | | | | |
| 25. | Mississippi (MS) | No | No | | | | | | |
| 26. | Missouri (MO) | No | No | | | | | | |
| 27. | Montana (MT) | No | No | | | | | | |
| 28. | Nebraska (NE) | No | No | | | | | | |
| 29. | Nevada (NV) | No | No | | | | | | |
| 30. | New Hampshire (NH) | No | No | | | | | | |
| 31. | New Jersey (NJ) | No | No | | | | | | |
| 32. | New Mexico (NM) | No | No | | | | | | |
| 33. | New York (NY) | No | No | | | | | | |
| 34. | North Carolina (NC) | No | No | | | | | | |
| 35. | North Dakota (ND) | No | No | | | | | | |
| 36. | Ohio (OH) | No | No | | | | | | |
| 37. | Oklahoma (OK) | No | No | | | | | | |
| 38. | Oregon (OR) | No | No | | | | | | |
| 39. | Pennsylvania (PA) | No | No | | | | | | |
| 40. | Rhode Island (RI) | No | No | | | | | | |
| 41. | South Carolina (SC) | No | No | | | | | | |
| 42. | South Dakota (SD) | No | No | | | | | | |
| 43. | Tennessee (TN) | No | Yes | | | 195,632 | | | |
| 44. | Texas (TX) | No | No | | | | | | |
| 45. | Utah (UT) | No | No | | | | | | |
| 46. | Vermont (VT) | No | No | | | | | | |
| 47. | Virginia (VA) | No | No | | | | | | |
| 48. | Washington (WA) | No | No | | | | | | |
| 49. | West Virginia (WV) | No | No | | | | | | |
| 50. | Wisconsin (WI) | No | No | | | | | | |
| 51. | Wyoming (WY) | No | No | | | | | | |
| 52. | American Samoa (AS) | No | No | | | | | | |
| 53. | Guam (GU) | No | No | | | | | | |
| 54. | Puerto Rico (PR) | No | No | | | | | | |
| 55. | U.S. Virgin Islands (VI) | No | No | | | | | | |
| 56. | Canada (CN) | No | No | | | | | | |
| 57. | Aggregate other alien (OT) | X X X | X X X | | | | | | |
| 58. | TOTAL (Direct Business) | X X X | (a). 1 | | | 195,632 | | | |
| DETAILS OF WRITE-INS | | | | | | | | | |
| 5701 | ..... |  |  |  |  |  |  |  |  |
| 5702 | ..... |  |  |  |  |  |  |  |  |
| 5703 | ..... |  |  |  |  |  |  |  |  |
| 5798. | Summary of remaining write-ins for Line 57 from overflow page | | | | | | | | |
| 5799. | TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above) .. | | | | | | | | |

(a) Insert the number of yes responses except for Canada and Other Alien.
Explanation of basis of allocation of premiums by states, etc.:

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y (continued)
PART 2 - SUMMARY OF INSURER’S TRANSACTIONS WITH ANY AFFILIATES

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|-------------------------|--------------------------------------|--|--------------------------|--------------------------|--|---|---|---|-------|--|-----------------------------------|---|
| NAIC Company Code | Federal ID Number | Names of Insurers and Parent, Subsidiaries or Affiliates | Shareholder Dividends | Capital Contributions | Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments | Income/(Disburse- ments) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s) | Management Agreements and Service Contracts | Income/ (Disbursements) Incurred Under Reinsurance Agreements | * | Any Other Material Activity not in the Ordinary Course of the Insurer's Business | Totals | Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/ (Liability) |
| 95749 .. | .. 62-1552091 62-1546662 .. | PHP Companies, Inc. Preferred Health Partnership of Tennesse ..... | ..... | ..... | ..... | ..... | .. (16,852,838) ... 16,852,838 | ..... | ..... | ..... | .. (16,852,838) ... 16,852,838 | ..... |
| 9999999 Totals ..... |  |  | ..... | ..... | ..... | ..... | ..... | ..... | X X X | ..... | ..... | ..... |

Schedule Y Part 2 Explanation:

SUPPLEMENTAL EXHIBITS AND SCHEDULES

INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

| | Response |
|---|----------|
| MARCH FILING | |
| 1. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1? | No |
| 2. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1? | Yes |
| 3. Will an actuarial certification be filed by March 1? | Yes |
| 4. Will the Risk-based Capital Report be filed with the NAIC by March 1? | Yes |
| 5. Will the Risk-based Capital Report be filed with the state of domicile, if required by March 1? | Yes |
| 6. Will the SVO Compliance Certification be filed by March 1? | Yes |
| 7. Will the Life Supplement be filed with the state of domicile and the NAIC by March 1? | No |
| 8. Will the Property/Casualty Supplement be filed with the state of domicile and the NAIC by March 1? | No |
| APRIL FILING | |
| 9. Will Management's Discussion and Analysis be filed by April 1? | Yes |
| 10. Will the Long-term Care Experience Reporting Forms be filed with the state of domicile by April 1? | No |
| 11. Will the Investment Risks Interrogatories be filed by April 1? | Yes |
| JUNE FILING | |
| 12. Will an audited financial report be filed by June 1 with the state of domicile? | Yes |
| Explanations: | |

Bar Codes:

Medicare Supplement Insurance Experience Exhibit



957492003360000002003Document Code: 360

Health Life Supplement



957492003205000002003Document Code: 205

Health Property / Casualty Supplement



957492003207000002003Document Code: 207

LTC Experience Reporting Form C



957492003330000002003Document Code: 330

OVERFLOW PAGE FOR WRITE-INS

LIABILITIES, CAPITAL AND SURPLUS

| | Current Year | | | Prior Year |
|--|--------------|----------------|------------|------------|
| | 1 Covered | 2 Uncovered | 3 Total | 4 Total |
| 2104. | | | | |
| 2197. Summary of remaining write-ins for Line 21 (Lines 2104 through 2196) | | | | |

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

| | 1 Claim Adjustment Expenses | 2 General Administrative Expenses | 3 Investment Expenses | 4 Total |
|---|--------------------------------------|--|-----------------------------|--------------|
| 2504. Education & Seminars | 5,188 | 55,206 | ..... | 60,394 |
| 2505. Meals & Entertainment | 2,707 | 26,595 | ..... | 29,303 |
| 2506. Office Supplies ..... | ..... | ..... | ..... | ..... |
| 2507. Training & Orientation | 350 | ..... | ..... | 350 |
| 2508. Wellness Program ..... | ..... | 6,977 | ..... | 6,977 |
| 2509. Liquidated Damages ..... | ..... | 1,203,280 | ..... | 1,203,280 |
| 2510. Books & Subscriptions | 41,960 | 44,075 | ..... | 86,036 |
| 2511. Leases & Rentals | 7,878 | 137,321 | ..... | 145,200 |
| 2512. Repairs | 536 | 6,485 | ..... | 7,021 |
| 2513. Temp/Contract Personnel | 505,247 | 425,132 | ..... | 930,379 |
| 2514. Miscellaneous Expense | 8,497 | 1,122,338 | ..... | 1,130,836 |
| 2515. Corporate Management Fee Revenue ..... | ..... | ..... | ..... | ..... |
| 2516. Corporate Management Fee Expense ..... | ..... | ..... | ..... | ..... |
| 2517. Covenant Mgmt Fee ..... | ..... | 746,912 | ..... | 746,912 |
| 2518. Covenant MIS Direct Fee ..... | ..... | 721,244 | ..... | 721,244 |
| 2519. Risk Banding Reserve ..... | ..... | (4,053,559) | ..... | (4,053,559) |
| 2520. Provision for Loss Contracts ..... | ..... | ..... | ..... | ..... |
| 2521. Utilities ..... | ..... | 54,154 | ..... | 54,154 |
| 2522. Maintenance Agreements | 20,632 | 511,802 | ..... | 532,434 |
| 2523. State Admin Revenue | (6,105,506) | (10,953,625) | ..... | (17,059,131) |
| 2597. Summary of overflow write-ins for Line 25 | (5,512,509) | (9,945,661) | ..... | (15,458,170) |

E01 Schedule A - Part 1 Real Estate Owned - NONE

E02 Schedule A - Part 2 Real Estate Aquired - NONE

E03 Schedule A - Part 3 Real Estate Sold - NONE

E04 Schedule B - Part 1 Mortgage Loans Owned - NONE

E05 Schedule B - Part 2 Mortgage Loans Sold - NONE

E06 Schedule BA - Part 1 Invested Assets Owned - NONE

E07 Schedule BA - Part 2 Invested Assets Sold - NONE

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31, of Current Year

| 1 CUSIP Identification | 2 Description | 3 * | Interest | | 6 Maturity Date | 7 Option Date | 8 Option Call Price | 9 Book/ Adjusted Carrying Value | 10 Par Value | 11 Rate Used to Obtain Fair Value | 12 Fair Value | 13 Actual Cost | Interest | | 16 Increase (Decrease) by Adjustment | 17 Increase (Decrease) by Foreign Exchange Adjustment | 18 Amount of Interest Due and Accrued Dec. 31 Current year, on Bonds in Default as to Principal or Interest | 19 NAIC Desig- nation | 20 Date Acquired | 21 Effective Rate of Interest |
|---|---------------------------|------------|---------------------|----------------------|---------------------------|-------------------------|----------------------------------|---|------------------------|--|-------------------------|--------------------------|---|---|--|--|--|------------------------------------|----------------------------|--|
| | | | 4 Rate of | 5 How Paid | | | | | | | | | 14 Amount Due and Accrued Dec. 31 of Current Year on Bonds not in Default | 15 Gross Amount Received During Year | | | | | | |
| | | | | | | | | | | | | | | | | | | | | |
| U.S. Governments - Issuer Obligations | | | | | | | | | | | | | | | | | | | | |
| 880591DR0 | TVA NT | | 4.750 | JJ | 07/15/2004 | | | 2,549,888 | 2,550,000 | | 2,549,439 | 2,549,439 | 55,516 | 121,125 | 192 | | | 1 | 08/01/2001 | 4.751 |
| 31359MHX4 | FNMA PREASSIGN | | 5.500 | MN | 05/02/2006 | | | 2,546,659 | 2,500,000 | 106.9690 | 2,674,225 | 2,578,320 | 21,389 | 137,500 | (19,997) | | | 1 | 06/04/2002 | 5.333 |
| 31359MNU3 | FNMA | | 5.250 | AF | 08/01/2012 | | | 1,514,495 | 1,500,000 | 102.5310 | 1,537,965 | 1,516,466 | 32,594 | 54,469 | (1,689) | | | 1 | 11/21/2002 | 5.193 |
| 912828AU4 | US TREASURY NT | | 3.875 | FA | 02/15/2013 | | | 1,832,467 | 1,900,000 | 97.9060 | 1,860,214 | 1,828,750 | 27,609 | 3,042 | 3,717 | | | 1 | 07/30/2003 | 4.026 |
| 3133MKEC7 | FHLB | | 4.125 | NM | 11/15/2004 | | | 1,996,338 | 2,000,000 | 102.4380 | 2,048,760 | 1,988,280 | 6,875 | 82,500 | 4,395 | | | 1PE | 03/28/2002 | 4.149 |
| 31359MFH1 | FNMA NT | | 7.125 | FA | 02/15/2005 | | | 4,331,199 | 4,200,000 | 106.3130 | 4,465,146 | 4,613,700 | 112,219 | 299,250 | (121,250) | | | 1PE | 09/25/2001 | 6.486 |
| 31359MFV0 | FNMA PREASSIGN | | 7.000 | JJ | 07/15/2005 | | | 1,088,125 | 1,050,000 | 108.0310 | 1,134,326 | 1,138,963 | 33,688 | 73,500 | (25,418) | | | 1PE | 01/28/2002 | 6.453 |
| 3134A0TG7 | FHLMC GLOBAL BD | | 5.950 | JJ | 01/19/2006 | | | 2,877,212 | 2,905,000 | 107.8440 | 3,132,868 | 2,768,374 | 77,301 | 172,848 | 13,894 | | | 1PE | 03/15/1996 | 6.244 |
| 31359MHB2 | FNMA | | 5.500 | FA | 02/15/2006 | | | 2,481,473 | 2,400,000 | | 2,540,134 | 2,540,134 | 49,500 | 132,000 | (39,107) | | | 1PE | 07/17/2002 | 5.197 |
| 3134A4TE4 | FHLMC | | 2.750 | MS | 03/15/2008 | | | 3,032,731 | 3,000,000 | 98.4060 | 2,952,180 | 3,037,968 | 24,063 | 24,292 | (5,237) | | | 1PE | 05/29/2003 | 2.716 |
| 31359MMF7 | FNMA PREASSIGN | | 5.625 | FA | 02/28/2012 | | | 2,625,491 | 2,500,000 | 104.6560 | 2,616,400 | 2,641,016 | 47,656 | 83,594 | (15,525) | | | 1PE | 01/22/2003 | 5.325 |
| 31359MQV8 | FNMA PREASSIGN | | 4.750 | FA | 02/21/2013 | | | 1,053,084 | 1,050,000 | 98.4380 | 1,033,599 | 1,053,339 | 17,872 | 18,010 | (255) | | | 1PE | 04/10/2003 | 4.735 |
| 665278107 | NORTHERN INSTL FDS | | | NM | 11/23/2004 | | | 120,068 | 120,068 | 1.0000 | 120,068 | 120,068 | 70 | 16,053 | | | | 1Z | 01/01/2003 | 0.699 |
| 880591DR0 | TVA NT - PLEDGED | | 4.750 | JJ | 07/15/2004 | | | 2,249,888 | 2,250,000 | | 2,291,693 | 2,291,693 | 53,438 | 106,875 | 192 | | | 1 | 12/01/2001 | 4.751 |
| 912828AN0 | US TREASURY NT - PLEDGED | | 3.000 | NMNM | 11/15/2007 | | | 101,106 | 100,000 | 100.8750 | 100,875 | 101,226 | 500 | 1,500 | (120) | | | 1 | 07/31/2003 | |
| 0199999 Subtotal - U.S. Governments - Issuer Obligations | | | | | | | | 30,400,225 | 30,025,068 | X X X | 31,057,892 | 30,767,735 | 560,288 | 1,326,557 | (206,206) | | | X X X | X X X | X X X |
| 0399999 Subtotal - U.S. Governments | | | | | | | | 30,400,225 | 30,025,068 | X X X | 31,057,892 | 30,767,735 | 560,288 | 1,326,557 | (206,206) | | | X X X | X X X | X X X |
| All Other Governments - Issuer Obligations | | | | | | | | | | | | | | | | | | | | |
| 499523UE6 | KNOX CNTY TENN HLTH ELD | | 4.500 | JJ | 07/01/2012 | | | 1,000,000 | 1,000,000 | 99.8040 | 998,040 | 1,000,000 | 22,375 | 14,500 | | | | 2 | 02/21/2003 | 4.500 |
| 0499999 Subtotal - All Other Governments - Issuer Obligations | | | | | | | | 1,000,000 | 1,000,000 | X X X | 998,040 | 1,000,000 | 22,375 | 14,500 | | | | X X X | X X X | X X X |
| 1099999 Subtotal - All Other Governments | | | | | | | | 1,000,000 | 1,000,000 | X X X | 998,040 | 1,000,000 | 22,375 | 14,500 | | | | X X X | X X X | X X X |
| Industrial & Miscellaneous (Unaffiliated) - Issuer Obligations | | | | | | | | | | | | | | | | | | | | |
| 337358DD4 | FIRST UNION CORP NT | | 6.950 | NM | 11/01/2004 | | | 3,023,169 | 3,000,000 | 104.6540 | 3,139,620 | 3,099,630 | 33,592 | 208,500 | (27,804) | | | 1 | 04/24/2001 | 6.727 |
| 36962GVM3 | GEN ELEC CAP CORP | | 6.800 | NM | 11/01/2005 | | | 1,085,565 | 1,000,000 | | 1,116,680 | 1,116,680 | 10,956 | 30,033 | (31,115) | | | 1 | 05/19/2003 | 6.089 |
| 319963AE4 | 1ST DATA CORP SR NT | | 4.700 | NM | 11/01/2006 | | | 1,567,985 | 1,500,000 | 105.4450 | 1,581,675 | 1,591,980 | 11,358 | 56,400 | (23,995) | | | 1 | 01/08/2003 | 4.428 |
| 90331HHW6 | US BK NATL ASSN CIN OH | | 2.850 | NM | 11/15/2006 | | | 1,239,895 | 1,240,000 | | 1,239,888 | 1,239,888 | 2,945 | | 6 | | | 1 | 11/04/2003 | 2.850 |
| 073902BZ0 | BEAR STEARNS COS INC | | 5.700 | JJ | 01/15/2007 | | | 495,243 | 500,000 | 108.4450 | 542,225 | 492,335 | 13,063 | 28,500 | 1,586 | | | 1 | 03/25/2002 | 5.789 |
| 38141GAZ7 | GOLDMAN SACHS GROUP INC | | 6.875 | JJ | 01/15/2011 | | | 1,125,855 | 1,000,000 | 113.5610 | 1,135,610 | 1,139,340 | 31,510 | 18,524 | (13,485) | | | 1 | 04/03/2003 | 6.034 |
| 52517PSC6 | LEHMAN BROS HLDGS INC | | 6.625 | JJ | 01/18/2012 | | | 1,086,027 | 1,000,000 | | 1,096,780 | 1,096,780 | 29,812 | 34,965 | (10,753) | | | 1 | 01/03/2003 | 6.040 |
| 097014AH7 | BOEING CAP CORP | | 5.800 | JJ | 01/15/2013 | | | 1,045,502 | 1,000,000 | 104.8800 | 1,048,800 | 1,048,030 | 25,456 | | (2,528) | | | 1 | 07/17/2003 | 5.534 |
| 25468PBT2 | WALT DISNEY COMPANY NT | | 4.875 | JJ | 07/02/2004 | | | 1,499,413 | 1,500,000 | | 1,496,475 | 1,496,475 | 36,156 | 73,125 | 1,175 | | | 2 | 07/19/2001 | 4.886 |
| 233835AP2 | DAIMLER CHRYSLER | | 7.750 | JJ | 01/18/2011 | | | 1,572,862 | 1,500,000 | 114.3560 | 1,715,340 | 1,590,210 | 52,313 | 116,250 | (10,409) | | | 2 | 05/15/2002 | 7.310 |
| 758940AF7 | REGIONS FINANCIAL CORP NT | | 7.000 | MSMS | 03/01/2011 | | | 2,510,000 | 2,500,000 | 112.7330 | 2,818,325 | 2,513,850 | 57,847 | 175,000 | (1,397) | | | 1PE | 04/25/2001 | 6.961 |
| 3999999 Subtotal - Industrial & Miscellaneous (Unaffiliated) - Issuer Obligations | | | | | | | | 16,251,516 | 15,740,000 | X X X | 16,931,418 | 16,425,198 | 305,008 | 741,298 | (118,717) | | | X X X | X X X | X X X |
| 4599999 Subtotal - Industrial & Miscellaneous (Unaffiliated) | | | | | | | | 16,251,516 | 15,740,000 | X X X | 16,931,418 | 16,425,198 | 305,008 | 741,298 | (118,717) | | | X X X | X X X | X X X |
| 5499999 Subtotals - Issuer Obligations | | | | | | | | 47,651,741 | 46,765,068 | X X X | 48,987,350 | 48,192,934 | 887,671 | 2,082,355 | (324,924) | | | X X X | X X X | X X X |
| 6099999 Grand Total - Bonds | | | | | | | | 47,651,741 | 46,765,068 | X X X | 48,987,350 | 48,192,934 | 887,671 | 2,082,355 | (324,924) | | | X X X | X X X | X X X |

E09 Schedule D - Part 2 Sn 1 Prfrd Stocks Owned - NONE

E10 Schedule D - Part 2 Sn 2 Common Stocks Owned - NONE

SCHEDULE D - PART 3
Showing All Long-Term Bonds and Stocks ACQUIRED During Current Year

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|--|-------------------------------|------------------|----------------------|---------------------------------|------------------|---------------------|---|
| CUSIP Identification | Description | Date Acquired | Name of Vendor | Number of Shares of Stock | Actual Cost | Par Value | Paid for Accrued Interest and Dividends |
| Bonds - U.S. Governments | | | | | | | |
| 31359MMF7 | FNMA PREASSIGN | 01/22/2003 .. | NORTHERN TRUST | X X X | 2,641,016 | 2,500,000.00 | 57,031 |
| 31359MQV8 | FNMA PREASSIGN | 04/10/2003 .. | NORTHERN TRUST | X X X | 1,053,339 | 1,050,000.00 | 7,343 |
| 3134A4TE4 | FHLMC | 05/29/2003 .. | NORTHERN TRUST | X X X | 3,037,968 | 3,000,000.00 | 18,792 |
| 912828AU4 | US TREASURY NT | 07/30/2003 .. | NORTHERN TRUST | X X X | 1,828,750 | 1,900,000.00 | 51,531 |
| 912828AN0 | US TREASURY NT | 07/31/2003 .. | NORTHERN TRUST | X X X | 101,226 | 100,000.00 ..... | ..... |
| 0399999 Subtotal - Bonds - U.S. Governments | | | | | 8,662,299 | 8,550,000.00 | 134,697 |
| Bonds - All Other Governments | | | | | | | |
| 499523UE6 | KNOX CNTY TENN HLTH EDL | 02/21/2003 .. | NORTHERN TRUST | X X X | 1,000,000 | 1,000,000.00 | 2,500 |
| 1099999 Subtotal - Bonds - All Other Governments | | | | | 1,000,000 | 1,000,000.00 | 2,500 |
| Bonds - Industrial and Miscellaneous (Unaffiliated) | | | | | | | |
| 52517PSC6 | LEHMAN BROS HLDGS INC | 01/03/2003 .. | NORTHERN TRUST | X X X | 1,096,780 | 1,000,000.00 | 31,285 |
| 319963AE4 | 1ST DATA CORP SR NT | 01/08/2003 .. | NORTHERN TRUST | X X X | 1,591,980 | 1,500,000.00 | 14,100 |
| 38141GAZ7 | GOLDMAN SACHS GROUP INC | 04/03/2003 .. | NORTHERN TRUST | X X X | 1,139,340 | 1,000,000.00 | 15,851 |
| 36962GVM3 | GEN ELEC CAP CORP | 05/19/2003 .. | NORTHERN TRUST | X X X | 1,116,680 | 1,000,000.00 | 3,967 |
| 097014AH7 | BOEING CAP CORP | 07/17/2003 .. | NORTHERN TRUST | X X X | 1,048,030 | 1,000,000.00 | 1,128 |
| 90331HHW6 | US BK NATL ASSN CIN OH | 11/04/2003 .. | NORTHERN TRUST | X X X | 1,239,888 | 1,240,000.00 ..... | ..... |
| 4599999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated) | | | | | 7,232,698 | 6,740,000.00 | 66,330 |
| 6099997 Subtotal - Bonds - Part 3 | | | | | 16,894,997 | 16,290,000.00 | 203,527 |
| 6099998 Summary item from Part 5 for Bonds | | | | | 6,050,280 | 6,000,000.00 | 5,500 |
| 6099999 Subtotal - Bonds | | | | | 22,945,277 | 22,290,000.00 | 209,027 |
| 6599998 Summary Item from Part 5 for Preferred Stocks ..... |  |  |  |  | ..... | X X X ..... | ..... |
| 7099998 Summary Item from Part 5 for Common Stocks ..... |  |  |  |  | ..... | X X X ..... | ..... |
| 7199999 Subtotal - Preferred and Common Stocks ..... |  |  |  |  | ..... | X X X ..... | ..... |
| 7299999 Totals | | | | | 22,945,277 | X X X | 209,027 |

SCHEDULE D - PART 4

Showing All Long-Term Bonds and Stocks SOLD, REDEEMED, or Otherwise DISPOSED OF During Current Year

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
|--|---------------------------|------------|-------------------|-----------|---------------|---------------|-------------|----------------|---------------|------------|-----------|---------------|-------------|----------|--------------|
| CUSIP | | | | Number of | | | | Book/Adjusted | | Increase | Foreign | | | Interest | |
| Identification | Description | Disposal | Name of Purchaser | Shares | Consideration | Par | Actual Cost | Carrying Value | Increase | (Decrease) | Exchange | Realized Gain | Total | on Bonds | Dividends on |
| | | Date | | of Stock | | Value | | at Disposal | (Decrease) by | by Foreign | Gain | (Loss) on | Gain | Received | Stocks |
| | | | | | | | | Date | Adjustment | Exchange | (Loss) on | Disposal | on Disposal | During | Received |
| | | | | | | | | | | Adjustment | Disposal | | | Year | During Year |
| Bonds - U.S. Governments | | | | | | | | | | | | | | | |
| 3134A3EM4 | FHLMC NT | 01/22/2003 | NORTHERN TRUST | X X X | 2,784,395 | 2,500,000.00 | 2,404,687 | 2,435,860 | | | | 348,535 | 348,535 | 51,510 | X X X |
| 3128X0MJ5 | FHLMC PREASSIGN | 03/13/2003 | NORTHERN TRUST | X X X | 3,000,000 | 3,000,000.00 | 2,999,063 | 2,999,180 | 78 | | | 820 | 820 | 17,813 | X X X |
| 3134A4CQ5 | FHLMC NT | 03/25/2003 | NORTHERN TRUST | X X X | 3,027,176 | 3,000,000.00 | 3,101,910 | 3,027,176 | (6,794) | | | | | 55,781 | X X X |
| 31359MLR2 | FNMA NT | 03/25/2003 | NORTHERN TRUST | X X X | 2,994,632 | 3,000,000.00 | 2,983,897 | 29,946 | 1,342 | | | | | 27,344 | X X X |
| 31339BM25 | FHLB MTN | 07/17/2003 | NORTHERN TRUST | X X X | 2,076,460 | 2,000,000.00 | 2,032,500 | 2,002,477 | (1,857) | | | 73,983 | 73,983 | 42,940 | X X X |
| 31359MNY5 | FNMA | 07/30/2003 | NORTHERN TRUST | X X X | 2,571,902 | 2,570,000.00 | 2,568,098 | 2,568,679 | 317 | | | 3,222 | 3,222 | 37,033 | X X X |
| 3133MKEC7 | FHLB | 09/11/2003 | NORTHERN TRUST | X X X | 2,992,309 | 3,000,000.00 | 2,982,420 | 2,992,309 | 4,395 | | | | | 36,094 | X X X |
| 31359MHB2 | FNMA | 11/21/2003 | NORTHERN TRUST | X X X | 1,714,313 | 1,600,000.00 | 1,693,422 | 1,658,661 | (21,726) | | | 55,652 | 55,652 | 24,200 | X X X |
| 31359MKF9 | FNMA NT | 12/01/2004 | NORTHERN TRUST | X X X | 5,032,261 | 5,000,000.00 | 5,042,188 | 5,032,261 | (3,900) | | | | | 113,715 | X X X |
| 3133914Y7 | FHLB NT | 12/26/2004 | NORTHERN TRUST | X X X | 2,012,384 | 2,000,000.00 | 2,070,000 | 2,012,384 | (6,696) | | | | | 25,363 | X X X |
| 3133914Y7 | FHLB NT | 12/26/2004 | NORTHERN TRUST | X X X | 198,564 | 200,000.00 | 190,250 | 198,564 | 966 | | | | | 2,536 | X X X |
| 31359MFH1 | FNMA NT | 12/26/2004 | NORTHERN TRUST | X X X | 1,343,708 | 1,300,000.00 | 1,428,050 | 1,343,708 | (34,355) | | | | | 27,016 | X X X |
| 31359MFV0 | FNMA PREASSIGN | 12/26/2004 | NORTHERN TRUST | X X X | 1,245,996 | 1,200,000.00 | 1,301,672 | 1,245,996 | (26,628) | | | | | 31,500 | X X X |
| 665278107 | NORTHERN INSTL FDS | 12/15/2003 | NORTHERN TRUST | X X X | 4,327,194 | 4,327,193.63 | 4,327,194 | 4,327,194 | | | | | | 10,021 | X X X |
| 0399999 Subtotal - Bonds - U.S. Governments | | | | | 35,321,294 | 34,697,193.63 | 35,125,350 | 31,874,395 | (94,857) | | | 482,213 | 482,213 | 502,865 | X X X |
| Bonds - Industrial and Miscellaneous (Unaffiliated) | | | | | | | | | | | | | | | |
| 50075NAH7 | KRAFT FOODS INC | 04/02/2003 | NORTHERN TRUST | X X X | 2,086,520 | 2,000,000.00 | 1,999,200 | 1,999,273 | 20 | | | 87,247 | 87,247 | 43,750 | X X X |
| 030955AL2 | AMERITECH CAPITAL FUNDING | 12/26/2004 | NORTHERN TRUST | X X X | 997,550 | 1,000,000.00 | 994,090 | 997,550 | 551 | | | | | 23,063 | X X X |
| 110122AG3 | BRISTOL MYERS SQUIBB CO | 12/26/2004 | NORTHERN TRUST | X X X | 987,079 | 1,000,000.00 | 984,330 | 987,079 | 1,512 | | | | | 9,424 | X X X |
| 25468PBT2 | WALT DISNEY COMPANY NT | 12/26/2004 | NORTHERN TRUST | X X X | 499,771 | 500,000.00 | 498,825 | 499,771 | 359 | | | | | 10,021 | X X X |
| 4599999 Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated) | | | | | 4,570,920 | 4,500,000.00 | 4,476,445 | 4,483,673 | 2,442 | | | 87,247 | 87,247 | 86,257 | X X X |
| 6099997 Subtotal - Bonds - Part 4 | | | | | 39,892,214 | 39,197,193.63 | 39,601,795 | 36,358,068 | (92,415) | | | 569,460 | 569,460 | 589,122 | X X X |
| 6099998 Summary Item from Part 5 for Bonds | | | | | 6,075,461 | 6,000,000.00 | 6,050,280 | 6,033,337 | (16,943) | | | 42,124 | 42,124 | 42,234 | X X X |
| 6099999 Subtotal - Bonds | | | | | 45,967,675 | 45,197,193.63 | 45,652,075 | 42,391,405 | (109,358) | | | 611,584 | 611,584 | 631,356 | X X X |
| 6599998 Summary Item from Part 5 for Preferred Stocks | | | | | | | X X X | | | | | | | X X X | |
| 7099998 Summary Item from Part 5 for Common Stocks | | | | | | | X X X | | | | | | | X X X | |
| 7199999 Subtotal - Preferred and Common Stocks | | | | | | | X X X | | | | | | | X X X | |
| 7299999 Totals | | | | | 45,967,675 | | X X X | 45,652,075 | 42,391,405 | (109,358) | | 611,584 | 611,584 | 631,356 | |

SCHEDULE D - PART 5

Showing All Long-Term Bonds and Stocks ACQUIRED During Year and Fully DISPOSED OF During Current Year

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 | 16 | 17 |
|---|----------------------|------------------|----------------------|------------------|----------------------|--|----------------|--------------------|--|--|--|--|---|-------------------------------------|---|---|
| CUSIP Identifi- cation | Description | Date Acquired | Name of Vendor | Disposal Date | Name of Purchaser | Par Value (Bonds) or Number of Shares (Stocks) | Actual Cost | Consider- ation | Book/Adjusted Carrying Value at Disposal Date | Increase (Decrease) by Adjustment | Increase (Decrease) by Foreign Exchange Adjustment | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Interest and Dividends Received During Year | Paid For Accrued Interest and Dividends |
| Bonds - U.S. Governments | | | | | | | | | | | | | | | | |
| 3136F22X5 | FNMA NT | 03/07/2003 | NORTHERN TRUST | 05/21/2003 | NORTHERN TRUST | 3,000,000.000 | 3,009,030 | 3,005,500 | 3,014,014 | 4,984 | | | (8,514) | (8,514) | 17,000 | 5,500 |
| 912828AU4 | US TREASURY NT | 07/17/2003 | NORTHERN TRUST | 10/02/2003 | NORHTERN TRUST | 1,000,000.000 | 993,359 | 999,258 | 993,533 | 173 | | | 20,752 | 20,752 | 5,054 | |
| 912828AU4 | US TREASURY NT | 07/30/2003 | NORTHERN TRUST | 10/02/2003 | NORTHERN TRUST | 1,000,000.000 | 962,500 | 999,258 | 963,478 | 978 | | | 20,752 | 20,752 | 5,054 | |
| 31359MHB2 | FNMA | 01/13/2003 | NORTHERN TRUST | 11/21/2003 | NORHTERN TRUST | 1,000,000.000 | 1,085,391 | 1,071,445 | 1,062,312 | (23,079) | | | 9,133 | 9,133 | 15,125 | |
| 0399999 Subtotal - Bonds - U.S. Governments | | | | | | 6,000,000.000 | 6,050,280 | 6,075,461 | 6,033,337 | (16,943) | | | 42,124 | 42,124 | 42,234 | 5,500 |
| 6099998 Subtotal - Bonds | | | | | | 6,000,000.000 | 6,050,280 | 6,075,461 | 6,033,337 | (16,943) | | | 42,124 | 42,124 | 42,234 | 5,500 |
| 7299999 Totals | | | | | | | 6,050,280 | 6,075,461 | 6,033,337 | (16,943) | | | 42,124 | 42,124 | 42,234 | 5,500 |

| | | |
|-----|--|------|
| E14 | Schedule D - Part 6 Sn 1 - | NONE |
| E14 | Schedule D - Part 6 Sn 2 - | NONE |
| E15 | Schedule DA - Part 1 ST Investments Owned - | NONE |
| E16 | Schedule DB - Part A Sn 1 Opt/Cap/Floor Owned - | NONE |
| E16 | Schedule DB - Part A Sn 2 Opt/Cap/Floor Aquired - | NONE |
| E17 | Schedule DB - Part A Sn 3 Opt/Cap/Floor Term - | NONE |
| E17 | Schedule DB - Part B Sn 1 Opt/Cap/Floor In-force - | NONE |
| E18 | Schedule DB - Part B Sn 2 Opt/Cap/Floor Written - | NONE |
| E18 | Schedule DB - Part B Sn 3 Opt/Cap/Floor Term - | NONE |
| E19 | Schedule DB - Part C Sn 1 Col/Swap/Frwrđ Open - | NONE |
| E19 | Schedule DB - Part C Sn 2 Col/Swap/Frwrđ Opened - | NONE |
| E20 | Schedule DB - Part C Sn 3 Col/Swap/Frwrđ Term - | NONE |
| E20 | Schedule DB - Part D Sn 1 Futures Contracts Open - | NONE |
| E21 | Schedule DB - Part D Sn 2 Futures Contracts Opened - | NONE |
| E21 | Schedule DB - Part D Sn 3 Futures Contracts Term - | NONE |
| E22 | Schedule DB - Part E Sn 1 Counterparty Exposure - | NONE |

SCHEDULE DM

For bonds and preferred stocks owned as of December 31, state the aggregate statement (admitted) value, the aggregate fair value, and the aggregate difference, if any, between them.

| | 1 | 2 | 3 |
|---------------------------|----------------------------------|-------------------|--|
| | Statement (Admitted) Value | Fair Value (a) | Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
| 1. Bonds | 47,651,732 | 49,111,421 | 1,459,689 |
| 2. Preferred Stocks | | | |
| 3. TOTALS | 47,651,732 | 49,111,421 | 1,459,689 |

(a) Amortized or book values shall not be substituted for fair values. Describe the sources or methods utilized in determining the fair values.:

SCHEDULE E - PART 1 - CASH

| 1 | | | 2 | 3 | 4 | 5 | 6 |
|---|----------------------------|--|------------------|---|--|-----------|-------|
| Depository | | | Rate of Interest | Amount of Interest Received During Year | Amount of Interest Accrued December 31 of Current Year | Balance | * |
| open depositories | | | | | | | |
| Cash on Deposit | First Tennessee Bank | | | 21,814 | | 5,759,406 | X X X |
| 0199998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - open depositories | | | X X X .. | | | | X X X |
| 0199999 Totals - Open Depositories | | | X X X .. | 21,814 | | 5,759,406 | X X X |
| 0299998 Deposits in depositories that do not exceed the allowable limit in any one depository (See Instructions) - suspended depositories | | | X X X .. | | | | X X X |
| 0299999 Totals - Suspended Depositories | | | X X X .. | | | | X X X |
| 0399999 Total Cash On Deposit | | | X X X .. | 21,814 | | 5,759,406 | X X X |
| 0499999 Cash in Company's Office | | | X X X .. | X X X | X X X | | X X X |
| 0599999 Total Cash | | | X X X .. | 21,814 | | 5,759,406 | X X X |

TOTALS OF DEPOSITORY BALANCES ON THE LAST DAY OF EACH MONTH DURING THE CURRENT YEAR

| | | | | | | | |
|-------------------|-----------|----------------|-----------|--------------------|-----------|--------------------|-----------|
| 1. January | 2,860,426 | 4. April | 1,507,621 | 7. July | 2,232,302 | 10. October | 1,760,091 |
| 2. February | 1,905,152 | 5. May | 1,831,248 | 8. August | 2,514,225 | 11. November | 862,226 |
| 3. March | 1,256,082 | 6. June | 3,380,800 | 9. September | 2,638,096 | 12. December | 5,759,406 |

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments owned December 31 of current year

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |
|--------------------------------------|-------------|------------------|---------------------|----------|---------------------------------|--|----------------------------|
| CUSIP Identification | Description | Date Acquired | Rate of Interest | Maturity | Book/Adjusted Carrying Value | Amount of Interest Due & Accrued | Gross Investment Income |
| <div>NONE</div> | | | | | | | |
| 0199999 Total Cash Equivalents | | | | | | | |

SCHEDULE E - PART 3 - SPECIAL DEPOSITS

| 1 Line Number | 2 Type | 3 Description of Deposit | 4 Where Deposited and Purpose of Deposit | 5 Par or Book Value | 6 Statement Value (a) | 7 Fair Value |
|---------------------|--|--|---|-------------------------------|---------------------------------|------------------------|
| Tennessee | | | | | | |
| TN00001 | B | TVA NT - CUSIP #880591DR0 Maturity Date 7/15/04 Value \$2,250,000 | First Tennessee Bank - Restricted Investment - for protection of the enrollees in the State of TN | 2,250,000 | 2,249,888 | 2,283,750 |
| TN00002 | B | US TREASURY NT - CUSIP #912828AN0 Maturity Date 11/15/2007 Value \$100,000 | First Tennessee Bank - Restricted Investment - for protection of the enrollees in the State of TN | 100,000 | 101,106 | 100,875 |
| TN99999 | Subtotals - Tennessee | | | 2,350,000 | 2,350,994 | 2,384,625 |
| XX99999 | Subtotals - Special Deposits Not Held for the Benefit Of All Policyholders, Claimants and Creditors of the Company | | | 2,350,000 | 2,350,994 | 2,384,625 |
| 9999999 | Totals | | | 2,350,000 | 2,350,994 | 2,384,625 |

(a) Including \$...... cash and short-term investments as defined in SSAP No.2 of the NAIC Accounting Practices and Procedures Manual.



Statement of Actuarial Opinion
Actuarial Certification
Preferred Health Partnership of Tennessee, Inc.
Actuarial Liabilities as of December 31, 2003

I, Glenn A. Giese, am a consultant with the firm of Mercer Oliver Wyman Actuarial Consulting, Inc. (Mercer). I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries and meet the qualification standards for rendering opinions on Health Maintenance Organizations' and Health Plans' actuarial liabilities. I have been retained by Preferred Health Partnership of Tennessee, Inc. (the Company) to render an opinion on their December 31, 2003 actuarial liabilities.

I have undertaken an examination of the assumptions and methods used in developing the actuarial liabilities shown in the Company's December 31, 2003 annual statement prepared for filing with the State of Tennessee regulatory officials. These amounts are shown below:

| | |
|--|--------------|
| Claims Unpaid (Page 3, Line 1) | \$1,421,510 |
| Accrued Medical Incentive Pool and Bonus Payments (Page 3, Line 2) | \$0 |
| Unpaid Claims Adjustment Expenses (Page 3, Line 3) | \$11,290 |
| Aggregate Policy Reserves (Page 3, Line 4) | \$10,826,641 |
| Experience Rated Refund | \$0 |
| Actuarial Liabilities included in Page 3, Line 17 | \$14,082,990 |

I have used the traditional development methodology in arriving at my estimate of the liability for claims unpaid at December 31, 2003. This method is based on accepted actuarial standards and sound actuarial principles.

I have reviewed Page 11 (Underwriting and Investment Exhibit - Part 2b.) This schedule was prepared consistent with Section 5.14, *Follow Up Studies* contained in Actuarial Standard of Practice No. 5, Incurred Health Claim Liabilities.

It is my opinion that the actuarial liabilities shown above:

1.

are in accordance with accepted actuarial standards, consistently applied and are fairly stated in accordance with sound actuarial principles,
- 1)
1.

are based on actuarial assumptions relevant to contract provisions and are appropriate to the purpose for which the statement was prepared,
2.

meet the requirements of the laws of the State of Tennessee,
- 1)
1.

make good and sufficient provision for all unpaid claims and other actuarial liabilities of the Company under the terms of its contracts and arrangements,
2.
7.
5.

are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the proceeding year-end, and
6.

include appropriate provision for all actuarial items that ought to be established.
7.
7.

In arriving at my opinion I have relied on data prepared by Mr. Jeff Collake of the Company (see reliance letter attached.) In other respects, my examination included such review of the underlying assumptions and methods used and such tests of the calculations as I considered necessary.

I considered the need to do cash flow testing in forming my opinion. I determined that cash flow testing was not necessary due to the short-term nature of the liabilities and the insensitivity of the liabilities to economic

Statement of Actuarial Opinion

conditions.

The actuarial methods, considerations and analyses used in forming my opinion are in conformance with the appropriate Standards of Practice and Compliance Guidelines as promulgated by the Actuarial Standards Board and the American Academy of Actuaries.

Glenn A. Giese, FSA, MAAA

Date

Actuarial Certification - Medical Target Ratio Report
Preferred Health Partnership of Tennessee, Inc.
Actuarial Liabilities as of December 31, 2003

I, Glenn A. Giese, am a consultant with the firm of Mercer Oliver Wyman Actuarial Consulting, Inc. (Mercer). I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries and meet the qualification standards for rendering opinions on Health Maintenance Organizations' and Health Plans' actuarial liabilities. I have been retained by Preferred Health Partnership of Tennessee, Inc. ("the Company") to render this statement of actuarial opinion.

Pursuant to the contract between the State of Tennessee and Preferred Health Partnership of Tennessee, Inc., an actuarial certification to the medical target ratio is required each year. We have examined the actuarial assumptions and actuarial methods used in determining the reserves and related actuarial items pertaining to the calculation of the medical target ratio for TennCare. In our opinion, the reserves and related items of the Medical Fund Target Monitoring Report as of December 31, 2003, as reported to the State of Tennessee, are reasonable and make sufficient provision for outstanding claims payable.

It is my opinion that the amounts carried on the Medical Target Report in relation to the actuarial items:

- 1) 1. are in accordance with accepted actuarial standards, consistently applied and are fairly stated in accordance with sound actuarial principles,
- 1) 1. are based on actuarial assumptions relevant to contract provisions and are appropriate to the purpose for which the statement was prepared,
- 1) 1. meet the requirements of the laws of the State of Tennessee,
- 1) 1. make good and sufficient provision for all unpaid claims and other actuarial liabilities of the Company under the terms of its contracts and arrangements,
2. 8.
5. are computed on the basis of assumptions consistent with those used in computing the corresponding items in the previous years Medical Target Report, and
6. include appropriate provision for all actuarial items that ought to be established.
7. 7.

In arriving at my opinion I have relied on data prepared by Mr. Jeff Collake of the Company (see reliance letter attached.) In other respects, my examination included such review of the underlying assumptions and methods used and such tests of the calculations, as I considered necessary.

I considered the need to do cash flow testing in forming my opinion. I determined that cash flow testing was not necessary due to the short-term nature of the liabilities and the insensitivity of the liabilities to economic conditions.

The actuarial methods, considerations and analyses used in forming my opinion are in conformance with the appropriate Standards of Practice and Compliance Guidelines as promulgated by the Actuarial Standards Board

Statement of Actuarial Opinion

and the American Academy of Actuaries.

Glenn A. Giese, FSA, MAAA

Statement of Reliance

I, Jeff Collake, Chief Financial Officer of Preferred Health Partnership of Tennessee, Inc., hereby affirm that the listings and summaries of data and other information prepared for, and submitted to, Glenn A. Giese of the firm Mercer Oliver Wyman Actuarial Consulting, Inc. were prepared under my direction and, to the best of my knowledge and belief, are accurate and complete. This reliance is valid for work done in conjunction with the 2003 annual statement.

Jeff Collake
Chief Financial Officer
Preferred Health Partnership of Tenn

Date

**MEDICARE SUPPLEMENT INSURANCE EXPERIENCE EXHIBIT
FOR THE STATE OF TENNESSEE**



NAIC Group Code: 1253

NAIC Company Code: 95749

Address (City, State and Zip Code): Knoxville , TN 37932

Person Completing This Exhibit:

Title:

Telephone:

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Policies Issued Through 2000 | | | | Policies Issued in 2001, 2002, 2003 | | | |
|--|--------------------|---|-----------------|----------------------|---------------|-------------------------|-------------------|-------------|-----------------------------|------------------------------|-----------------|----------------------------|-------------------------|-------------------------------------|-----------------|----------------------------|-------------------------|
| | | | | | | | | | | 11 | Incurred Claims | | 14 | 15 | Incurred Claims | | 18 |
| | | | | | | | | | | | 12 | 13 | | | 16 | 17 | |
| Compliance with OBRA | Policy Form Number | Standardized Medicare Supplement Benefit Plan | Medicare Select | Plan Characteristics | Date Approved | Date Approval Withdrawn | Date Last Amended | Date Closed | Policy Marketing Trade Name | Premiums Earned | Amount | Percent of Premiums Earned | Number of Covered Lives | Premiums Earned | Amount | Percent of Premiums Earned | Number of Covered Lives |
| | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | |
| 0299999 Total Experience on Group Policies | | | | | | | | | | | | | | | | | |

NONE

GENERAL INTERROGATORIES

MS Tennessee

1. If response in Column 1 is no, give full and complete details:
2. Claims address and contact person provided to the Secretary of Health and Human Services as required by 42 U.S.C. 1395ss(c)(3)(E) for this state.
- 2.1 Address:
- 2.2 Contact Person and Phone Number:
3. Billing address and contact person for user fees established under 42 U.S.C. 1395u(h)(3)(B)
- 3.1 Address:
- 3.2 Contact Person and Phone Number:
4. Explain any policies identified above as policy type "O":



SUPPLEMENTAL COMPENSATION EXHIBIT
(To be filed by March 1)

PART 1 - INTERROGATORIES

1. The reporting insurer is a member of a group of insurers or other holding company system:
If yes, do the below amounts represent 1) total gross compensation paid to each individual by or on behalf of all companies which are part of the group:
or 2) allocation to each insurer:

Yes[X] No[]
Yes[X] No[]
Yes[] No[X]
2. Did any person while an officer, director, or trustee of the reporting entity receive directly or indirectly, during the period covered by this statement any commission on the business transactions of the reporting entity?

Yes[] No[X]
3. Except for retirement plans generally applicable to its staff employees, has the reporting entity any agreement with any person, other than contracts with its agents for the payment of commissions whereby it agrees that for any service rendered or to be rendered, that he/she shall receive directly or indirectly, any salary, compensation or emolument that will extend beyond a period of 12 months from the date of the agreement?

Yes[] No[X]

PART 2 - OFFICERS AND EMPLOYEES COMPENSATION

| 1 Name and Principal Position | 2 Year | Annual Compensation | | | |
|---|---------------|---------------------|----------------|------------------------------------|-----------------|
| | | 3 Salary | 4 Bonus | 5 All Other Compensation | 6 Totals |
| 1. This information will be sent under separate cover. | 2003 . | | | | |
| ..... | 2002 . | | | | |
| ..... | 2001 . | | | | |
| 2. | 2003 . | | | | |
| ..... | 2002 . | | | | |
| ..... | 2001 . | | | | |
| 3. | 2003 . | | | | |
| ..... | 2002 . | | | | |
| ..... | 2001 . | | | | |
| 4. | 2003 . | | | | |
| ..... | 2002 . | | | | |
| ..... | 2001 . | | | | |
| 5. | 2003 . | | | | |
| ..... | 2002 . | | | | |
| ..... | 2001 . | | | | |
| 6. | 2003 . | | | | |
| ..... | 2002 . | | | | |
| ..... | 2001 . | | | | |
| 7. | 2003 . | | | | |
| ..... | 2002 . | | | | |
| ..... | 2001 . | | | | |
| 8. | 2003 . | | | | |
| ..... | 2002 . | | | | |
| ..... | 2001 . | | | | |
| 9. | 2003 . | | | | |
| ..... | 2002 . | | | | |
| ..... | 2001 . | | | | |
| 10. | 2003 . | | | | |
| ..... | 2002 . | | | | |
| ..... | 2001 . | | | | |

PART 3 - DIRECTOR COMPENSATION

| 1 Name and Principal Position or Occupation | 2 Compensation Paid or Deferred for Services as Director | 3 All Other Compensation Paid or Deferred | 4 Totals |
|--|--|---|-----------------|
| This information will be sent under separate cover. | | | |
| 9999999 | | | |



SVO Compliance Certification

"The undersigned is an officer of the insurer responsible for reporting investments to the SVO and/or with making all filings with appropriate state regulatory officials and the NAIC and is therefore required to be familiar with the requirements of such filings. The undersigned officer certifies that, to the best of his or her knowledge, information, and belief, all prices or NAIC designations for the securities reported in this statement have been obtained directly from the SVO except as specifically identified below. The officer further certifies that, to the best of his or her knowledge, information, and belief, since the last filing of a quarterly or annual statement:

- 1. All securities previously valued by the insurer and identified by a Z suffix have now been submitted to the SVO for a valuation or disposed of by sale or otherwise with the result that all prices and NAIC Designations reported in this statement have been provided by the SVO, except for provisionally exempt securities and new purchases identified in Schedule D and DA with a Z suffix or items submitted but not yet processed by the SVO.
- 2. Any newly purchased securities now identified with a Z suffix shall be submitted to the SVO within 120 days of purchase.
- 3. All necessary information on securities that have been previously designated NR (not rated due to lack of current information) by the SVO have either been submitted to the SVO by the insurer for a valuation or disposed of by the insurer.
- 4. All material issuer events (as defined below) have been reported to the SVO."

A material issuer event is a generic or transaction specific credit event of which the insurer is currently aware that, by its nature, would signify to a reasonably prudent insurer that a material change in the credit quality or price of the investment or security has occurred.

As an illustration, and not by way of limitation, the following shall be deemed to constitute material issuer events:

- a. Recapitalizations or capital restructuring whether within or without Chapter 11 of the US Bankruptcy Code;
- b. Nonpayment, deferral, or payment in kind through waiver of any principal or contractual interest payment;
- c. Any change in the maturity of a security;
- d. Changes in the lender’s collateral position, including releases of collateral, or the taking of a collateral position whether by operation of negative pledge covenant or otherwise;
- e. Events of a like character or of a like effect, which would be considered material to an investment professional.
- f. Exceptions_____

Lance K. Hunsinger
Name of Investment Officer

Signature of Investment Officer

President and Chief Financial Officer
Title of Signatory

Date



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES
Due April 1

For the year ended December 31, 2003

Of The Preferred Health Partnership of Tennessee, Inc.

Address (City, State, Zip Code) Knoxville , TN, 37932

NAIC Group Code 1253

NAIC Company Code 95749

Employer's ID Number 62-1546662

The Investment Risk Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.

Answer the following interrogatories by stating the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments as shown on the Summary Investment Schedule. All reporting entities must answer interrogatories 1 through 4, 11, 13 through 17, 19 and if applicable, 20 through 24. Answer each of interrogatories 5 through 10 only if the reporting entity's aggregate holding in the gross investment category addressed in interrogatory 4 equals or exceeds 2.5% of the reporting entity's total admitted assets. Answer interrogatory 12 only if the reporting entity's aggregate holding in the gross investment category addressed in interrogatory 11 equals or exceeds 2.5% of the reporting entity's total admitted assets. Answer interrogatory 18 only if the reporting entity's aggregate holding in the gross investment category addressed in interrogatory 17 equals or exceeds 2.5% of the reporting entity's total admitted assets. For Life, Health and Fraternal blanks, responses are to exclude Separate Accounts. For Property Casualty blank, responses are to exclude Protected Cell Accounts.

1. State the reporting entity's total admitted assets as reported on Page 2 of this annual statement. \$..... 60,163,035

| 1 | 2 | 3 |
|---|------------|-------------------------------------|
| Investment Category | Amount | Percentage of Total Admitted Assets |
| 2. State by investment category the 10 largest exposures to a single issuer/borrower/investment, excluding U.S. government, U.S. government agency securities and those U.S. Government money market funds listed in the Appendix to the SVO Purposes and Procedures Manual as exempt, property occupied by the company and policy loans. | | |
| 2.01 Industrial & Miscellaneous (Unaffiliated) - Issuer Obligations | 16,251,516 | 27.012 |
| 2.02 | | |
| 2.03 | | |
| 2.04 | | |
| 2.05 | | |
| 2.06 | | |
| 2.07 | | |
| 2.08 | | |
| 2.09 | | |
| 2.10 | | |

| NAIC Rating | 1 Amount | 2 Percent |
|---|-------------|--------------|
| 3. State the amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating. | | |
| Bonds | | |
| 3.01 NAIC-1 | 43,579,457 | 72.436 |
| 3.02 NAIC-2 | 4,072,275 | 6.769 |
| 3.03 NAIC-3 | | |
| 3.04 NAIC-4 | | |
| 3.05 NAIC-5 | | |
| 3.06 NAIC-6 | | |
| Preferred Stocks | | |
| 3.07 P/RP-1 | | |
| 3.08 P/RP-2 | | |
| 3.09 P/RP-3 | | |
| 3.10 P/RP-4 | | |
| 3.11 P/RP-5 | | |
| 3.12 P/RP-6 | | |

SIR-2 Supp. Inv. Risk Interr. Pt B - NONE

SIR-3 Supp. Inv. Risk Interr. Pt C - NONE

SIR-4 Supp. Inv. Risk Interr. Pt D - NONE

SIR-5 Supp. Inv. Risk Interr. Pt E - NONE

SIR-6 Supp. Inv. Risk Interr. Pt F - NONE

**INDEX TO HEALTH
ANNUAL STATEMENT**

| | | | |
|--|-----|--|-----|
| Accident and Health Premiums Due and Unpaid (Exhibit 3) | 18 | | |
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NAIC Company Code 95749
NAIC Group Code 1253



Reporting Entity Name Preferred Health Partnership of Tennessee, Inc.
Domiciled in Tennessee (State)
Mailing Address: 1420 Centerpoint Blvd., Knoxville, TN 37932
Annual Statement Contact: Melissa R Anderson (865)670-7282 manders1@covhlth.com
(Name) Telephone No. E-mail Address

In the Matter of the Annual Statement
(Annual/Quarterly)

Filing Required for the Period Ending on the
31st day of December, 2003
Mailing Date: 03/01/2004

**AFFIDAVIT OF FILING
AND FINANCIAL
STATEMENT ATTESTATION**

The officers of the above identified reporting entity, being duly sworn, each depose and say that on the mailing date above, a true and correct statement for the reporting period stated above and that the corresponding true and correct electronic file reflecting the statement for the above named reporting entity, has been sent to the National Association of Insurance Commissioners, according to their instructions. The statement and the corresponding electronic file are an exact and complete duplicate of the statement filed with the reporting entity’s domestic state, except as to schedules, exhibits and information required to be submitted only to the reporting entity’s domestic state.

Additionally, the officers of the above identified reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that for the reporting period stated above, all of the described assets in the above referenced statement were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as therein stated, and that the statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended on that date, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual, except to the extent that (1) state law may differ; or (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature)
Lance K. Hunsinger
(Printed Name)
Cheif Financial Officer

(Signature)
Lance K. Hunsinger
(Printed Name)
President

(Signature)
Jeffrey S. Collake
(Printed Name)
Secretary

(Signature)
(Printed Name)
Melissa R. Anderson

Subscribed and sworn to before me this
day of , 2004

(Notary Signature)
My Commission Expires: